

PEOPLE
And Another Game

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SUNDAY BASEBALL
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Soviet Party Braces For Reform Session To Curtail Powers

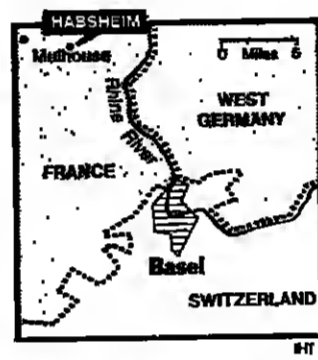
By Bill Keller
New York Times Service
MOSCOW — It was harvest time last year when a group of western correspondents dropped on a rainy day at the Communist Party, Pyotr Morgun, the party boss of a Ukrainian farm unit, to learn about perestroika in a real sense.
The main thing, Mr. Morgun said, citing from the catechism of Mikhail S. Gorbachev, the party leader, is individual initiative. Progress should throw off their dependency on guidance from above and think for themselves.
The next morning, visitors who packed on the local radio station and Mr. Morgun again — broadcasting detailed instructions to members on how to handle their livestock, apply their fertilizer and dig in their crops.
When 5,000 delegates from around the Soviet Union convene Tuesday to begin the first Communist Party conference since 1941, their main task will be to break the party's stifling grip on the lives of citizens.
The conference is a tacit admission that the Communist Party, which began the revolution from the top that Mr. Gorbachev calls perestroika, is itself a daunting obstacle to change.
The leaders have no intention of rendering the party's command role in setting national policy. But even the more limited transfer of power they have in mind, if it actually carried out, would mark a historic turning point for this authoritarian system — extricating a party from the daily operation of the economy and government, setting an elected government system that is no longer merely a pale shadow of the party, and creating a mechanism to protect citizens from arbitrary and abusive officials.
The promises of the party con-



Near Mulhouse, France, police and rescue workers searched the wreckage of an Air France Airbus 320 that crashed Sunday on a demonstration flight.

3 Are Killed in Crash of Airbus at Show in France

Compiled by Our Staff From Dispatches
MULHOUSE, France — An Air France jetliner, the new Airbus A-320, crashed Sunday on a demonstration flight near the French-Swiss border, killing three persons, officials said.
They said there were 133 survivors, 50 of whom required hospitalization.
Air France canceled a Paris-Zurich flight that had been scheduled to use an A-320 on Sunday and put a Boeing 737 on the Paris-Düsseldorf-Berlin route. In London, British Airways suspended flights of its two A-320 aircraft "as a precautionary measure" until more was known about the accident.
Jacques Friedmann, the president of Air France, said a decision on whether to extend the grounding would depend of the recommendation of French civil aviation authorities.
Up to 30 people were unaccounted for hours after the accident, Reuters reported. The police said the missing could include some who fled with minor injuries, or an undetermined number of passengers trapped in the wreckage.
Local officials said 10 to 25 people were trapped inside the plane's fuselage, which tore a 150-meter (500-foot) path through a forest at the end of the airport runway at Habsheim. The officials said the trapped victims were being evacuated.
Authorities first said there were 127 aboard when the jetliner went down. Airbus Industrie, the manufacturer, reported 136 aboard.
The crash, during an air show at Habsheim, occurred 10 minutes after the plane took off from the Mulhouse-based international airport 25 kilometers (15 miles) away, Christian Roger, the vice president of the French airline pilots' union, said the copilot had told him that there was no power when the cockpit crew sought it. A local resident who was among the first rescuers told the French radio that the captain's first words to him were: "I wanted to boost the power, but the plane didn't respond."
The plane was about 20 meters off the ground with its flaps and landing gear down when it clipped some trees at the end of the runway and crashed in the forest, Bernard Labalette, an amateur pilot who was near the scene of the crash, was quoted by Agence France-Press as saying.
One of only six in service so far, the plane had been delivered to Air France on Thursday and had never carried passengers on a scheduled flight. Many victims were believed to be first-time fliers who paid for the chance to take a ride on the A-320. At such air shows, spectators are invited to take their first flight for a small fee.
A policeman who was among the first to reach the crash scene told a radio interviewer that the plane skidded twice at the end of the runway before it was near the scene of the crash, was



Klosk

Seeking A Mideast Role
JERUSALEM (Reuters) — Foreign Minister Sosuke Uno of Japan visited a Palestinian refugee camp on Sunday and later told Israeli leaders that Tokyo wanted to play a bigger role in the Middle East peace process.
Mr. Uno, on a one-day trip to Israel, the first by a high Japanese official, met Foreign Minister Shimon Peres and Prime Minister Yitzhak Shamir. Earlier in the day, he visited a refugee camp in the West Bank and also talked with Palestinian leaders.

MONDAY Q&A



Professor Geoffrey Howe, Britain's foreign secretary, believes summit meetings are "extremely useful." Page 2.

General News

FLO officials agree on a program to use \$50 million to help finance the uprising in Israeli-occupied territory. Page 5.
France announced an agreement on the future status of New Caledonia. Page 2.
U.S. drought is causing grain supplies to be depleted, at a fast rate. Page 3.
Sports
Soccer fans in Amsterdam celebrated as the Dutch team brought home the European Championship cup. Page 21.
Business/Finance
West German and British opposition to a European central bank is likely to win out at the EC summit meeting. Page 15.
Mitsubishi Heavy Industries is profiting from Japan's arms buildup. Page 15.

Special Report

Despite the emblems of achievement, the Japanese are still trying to come to grips with their success. Pages 7-13.



Armenians rallying in Moscow on Sunday to demand a solution of the Nagorno-Karabakh dispute. Their outspokenness set the tone for a meeting on Tuesday on a lesser role for the Communist Party. In Nagorno-Karabakh, protesters called off a strike that had been under way for a month. Page 2.

Japan, Changing Image, Moves Into Role as Asia's Advocate

Tokyo Gaining Respect for Aid
By Michael Richardson
International Herald Tribune
SINGAPORE — A fundamental change is taking place in the way Japan is seen by its neighbors in Asia and the Pacific.
The reassessment follows outward-looking economic and political initiatives taken in Tokyo, including its forceful role at the summit meeting of industrial powers in Toronto last week.
While lingering concerns remain about domination by Japan, officials and analysts in Asia say that the old image of a predatory Japan is being effaced.
It is being replaced, they say, by a view that Japan is an essential and increasingly constructive partner in development.
"The Japanese are aware that to play a more pronounced role in Asia, they must use economic strength, not resort to military means," said Lee Poh Ping, a Malaysian university professor who studies Japanese relations with Southeast Asia.
By applying its burgeoning financial and commercial might to galvanize the economies of neighboring countries, Asian sources said, Japan is laying the basis for closer ties between trading nations in the area.
This is expected to give the region, led by Japan, a more effective voice in world affairs.
Asian economists said that if current high rates of growth continued, East Asia by the turn of the century would produce more than 20 percent of gross world product, a share approximately equal to those of North America and the European Community.
Among the factors seen as marking the end of a long period of Japanese diffidence are a generally higher international profile and an assertive leadership posture on behalf of Asia adopted by Noboru Takeshita, the Japanese prime minister, in Toronto. Mr. Takeshita drew the attention of the summit meeting to the needs of the Philippines, Cambodia and South Korea.
He also called for dialogue, not confrontation, between established industrial powers and newly industrialized countries in East Asia over trade and currency disputes.
Bill Hayden, the Australian foreign minister, said that Japan's role, in both regional and global affairs, was now rapidly evolving in unexpected ways.
"It challenges historical experience," he said, "which has suggested hitherto that, in order to be a major power and recognized by others as such, a country needs to be a major military power."
Prime Minister Lee Kuan Yew of Singapore said that Japan "more than any other country, understands the need to keep the



Prime Minister Noboru Takeshita.

Takeshita Work At Summit Cited

By Patrick L. Smith
International Herald Tribune
TOKYO — With his confident performance at the summit meeting of industrial nations in Toronto, Prime Minister Noboru Takeshita has focused the attention of world leaders on Asian concerns more successfully than any previous Japanese prime minister, government officials, diplomats and other analysts say.
Mr. Takeshita's assertiveness is viewed in Japan as an important expression of East Asia's increasing global influence, its growing economic integration and its new political and security interests. Nevertheless, there are widely acknowledged limitations to Japan's ability to act in this capacity.
In Toronto last week, Mr. Takeshita placed on the table political and economic issues of concern to Japan's Pacific neighbors. All but one of these issues, which ranged from the Cambodia question to regional security at the approaching Olympic Games in Seoul, were addressed in the final communiqué of the summit.
In focusing the attention of world leaders on Asian concerns, he enhanced Japan's role as the only non-Western member of the club of advanced nations.
"We can't claim to represent anybody

world along the path of interdependence, cooperation and competition."
He and other Asian sources have cautioned, however, that a protective U.S. defense shield around Japan and an open international trading system must be maintained to reassure the Japanese that they can prosper without having to resort to militarism to secure overseas markets and supplies.
Noting the importance of a substantial U.S. military and economic presence in East Asia and the Western Pacific, Jusuf Wanandi, an Indonesian authority on re-

Iraq Says Major Oil Zone Falls

The Final Victory Over Iran Is Near, President Asserts

By Patrick E. Tyler
WASHINGTON — The Iraqi Army, in its fourth offensive since April intended to push Iranian forces off its territory, said it has retaken the oil-rich zone known as the Majnoon Islands, in Iraq's southern marshlands.
President Saddam Hussein declared Sunday that final victory was near.
Iran acknowledged that its troops had been forced to redeploy to new positions in the face of the Iraqi advance.
[In Washington, senior administration officials said that the Iraqi recapture of the Majnoon Islands was a major victory, The New York Times reported.]
[One official described the islands as "the last important piece of Iraqi territory held by Iran. Although Iraq still holds large pockets of territory on the northern border, they are largely not strategically important, he said.]
As in other recent battlefield losses, Tehran accused the Iraqis of using chemical weapons.
The new attack underscores the strong military momentum Iraq has established, as well as its successful effort to recover part of its national oil wealth.
Iran has lost at least two other battles on the southern war front in recent months, as well as one June 18 against Iranian rebel forces in the northern Iranian border village of Mehran.
The losses come at a time of apparent political turmoil in Tehran following contentious parliamentary elections and amid persistent Western news reports that Ayatollah Ruhollah Khomeini, the Iranian revolutionary leader, has terminal liver cancer.
The islands sit atop one of the region's largest oil fields straddling the Iran-Iraq border. They are linked by a network of roads built over the marshes in the 1970s to make them accessible for oil exploration.
Isam Abd al-Rahim ash-Shalabi, the Iraqi oil minister, said that the oil field contains 6 to 7 billion barrels of proved oil reserves and estimated reserves of up to 30 billion barrels.
Iraq seized the islands during a

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Behind Dollar's Rise, Japanese Demand

International Herald Tribune
TOKYO — The dollar is expected to strengthen further in foreign-exchange markets this week, reflecting pent-up demand for the currency among Japanese financial institutions and speculative interest at the close of trading Friday.
Currency dealers and economists said over the weekend that they anticipated a rapid rise in the value of the U.S. unit to 132 yen or more by the end of the week.
The surge in global demand for dollars has been centered among Japanese life insurance companies and other financial institutions, which are beginning to increase their purchases of U.S. securities for the first time in many months.
This has focused increased attention on whether the Bank of Japan, the central bank, will act to support the yen this week in order to avert the inflationary effects of rising import costs.
The dollar closed Friday at 128.85 yen in Tokyo, a gain of more than 3 yen on the week, and later climbed to 130.45 yen in New York trading. Trading in the Tokyo spot market reached a record \$14.35 billion on Wednesday and remained more than double recent daily averages for the rest of the week.
"Volume at that level indicates that actual demand is strong," said David Gerstenhaber, senior economist at Morgan Stanley International Ltd. in Tokyo. "It also suggests there's a fair amount of momentum in the market."
A sustained depreciation in the yen would force the Bank of Japan either to intervene in the currency market or risk blunting Japan's economic momentum by raising interest rates, financial analysts said. The latter course could eventually

reduce the nation's ability to help correct trade imbalances by absorbing more imports.
Concern over inflation has mounted in recent weeks because of increasingly tight labor supplies and unusually high rates of factory operation in a range of major manufacturing industries. A continuing fall in the value of the yen would aggravate the inflationary threat by raising the cost of imported goods.
The Bank of Japan began to tighten credit modestly two weeks ago, when it announced slight increases in the one- and two-month discount bill rates. Although it has so far resisted further action, most analysts expect it to boost interest rates more substantially if the dollar climbs above 132 yen.
Both the Bank of England and West Germany's Bundesbank announced interest-rate increases last week to combat the threat of accelerating inflation.
Japanese purchases of U.S. government notes and bonds dropped dramatically last year because of volatility in the yen-dollar exchange rate. Although purchases rose sharply in February, when

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Dole Appears Top Pick for Bush Ticket

By Gerald M. Boyd
New York Times Service
WASHINGTON — Based on his experience, regional appeal and campaigning skills, Senator Bob Dole is emerging as the early choice of top aides and advisers to Vice President George Bush for the second spot on the Republican ticket.
Mr. Bush, who has locked up the Republican presidential nomination, spoke glowingly of Mr. Dole on Friday while stressing that the process for selecting the nominee

Jesse L. Jackson has won changes in the rules governing Democratic presidential primaries. Page 4.
for vice president will remain in the preliminary stage until after the Democrats select a ticket at their convention next month in Atlanta. The Republicans meet in New Orleans a month later.
Nonetheless, several advisers to Mr. Bush said senior aides have begun sounding out some Republican leaders on possible candidates, including Mr. Dole, the Senate minority leader from Kansas, and Representative Jack F. Kemp of New York.
Mr. Kemp was regarded as the favorite of some Southern state chairmen in part because of the belief that he is more conservative, said an adviser to Mr. Bush, but Mr. Dole, who ran second in most of the primaries, appears to be preferred in the Bush camp.
Although he has not discussed choices, Mr. Bush often has described the type of vice president he

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WORLD BRIEFS

British Foreign Secretary Sees Summits as 'Extremely Useful'

Sir Geoffrey Howe, the British foreign secretary since 1983, has been an influential voice on economic affairs and arms control at Western summit meetings for much of this decade.

reconciliation in Toronto of the apparently divergent views of the Americans and the European Community on agricultural protectionism.

It is difficult to establish any significant difference in our approach. I believe Herr Genscher has used the phrase "We should respond to things with an open mind."

Well, I doubt whether we're in a position to give him support that counts. Any more than a Soviet leader could give support at a U.S. presidential convention that would count.

The most recent news is that the stay of execution has been extended until July 19, pending application by the defense counsel to the chief justice of the Appeals Court.

Iceland's President Easily Re-elected

REYKJAVIK (AP) — Vigdís Finnbogadóttir easily won a third four-year term as Iceland elected a president, officials reported Sunday.

Swiss Seeking Details of U.S. Probe

WASHINGTON (Reuters) — The first known overseas effect of a U.S. defense procurement investigation has come from Switzerland.

Moscow Expels 8 More Canadians

MOSCOW (Reuters) — The Soviet Union has barred eight Canadian diplomats from the country in retaliatory expulsions.

Students and Police Clash in Seoul

SEOUL (UPI) — Several hundred students, calling for an investigation into corruption charges against former President Chun Doo-hwan, hurled rocks and firebombs at riot policemen in central Seoul on Sunday.

8 Soviet Jets Said Destroyed at Kabul

ISLAMABAD (Reuters) — Fire and explosions destroyed eight Soviet jet fighter planes at Kabul airport last week in what observers said was the biggest single blow to Soviet airpower in the Afghan war.

Talks on Angola to Continue in U.S.

CAIRO (AFP) — Fresh talks among South Africa, Angola, Cuba and the United States on a political settlement for Angola and South Africa (Namibia) will take place in the United States next week.

Sweden Tops Study on Female Status

WASHINGTON (AP) — Sweden leads the world in the status of women, followed by Finland and the United States, while women in Bangladesh suffer the greatest discrimination.

TRAVEL UPDATE

Alia, the Royal Jordanian Airline, announced Saturday it would suspend short flights from July 1.

New Caledonia to Hold Referendum in 1998

By Yousef M. Ibrahim

PARIS — The government of Prime Minister Michel Rocard announced Sunday that it would organize a referendum on self-determination for New Caledonia in 10 years.

Under the accord made public on Sunday, the French government will resume direct administration of the territories, abolishing an executive council of 10 members that was in charge under the Chirac administration.



Announcing agreement in Paris on a plan to decide the future of New Caledonia are, from left, Yveine Yveine and Jean-Marie Tjibaou, both separatist leaders, and Jacques Lafleur and Dick Ukeiwé, both opponents of the territory's independence from France.

Mitterrand, Seeking Stability, Calls a Time-Out

By Joseph Fitchett

PARIS — President François Mitterrand, after handily winning re-election last month, could normally have anticipated a period of grace, the proverbial first 100 days when a new government has the popularity to push through major initiatives.

but he has apparently recognized that time is needed for the change. So he has decided that any controversial legislation will be postponed.

NEWS ANALYSIS

Mr. Mitterrand, in Parliament, counts on the tacit support of the Communists to give Mr. Rocard's government leverage with the conservatives.

Instead, he prefers quiet, persistent negotiations designed to produce a consensus beyond his own party. The formula apparently is working in New Caledonia, where Mr. Rocard got the opposing local factions to agree Sunday on an accord which he hopes will defuse the issue for a decade.

The idea of restoring a moderate center opposed to left or right extremism in French politics, fits Mr. Mitterrand's political roots. Mr. Mitterrand, who was a member of Parliament throughout the Fourth Republic, served as a cabinet minister in 11 governments, always as a member of a centrist party indispensable for making up parliamentary majorities.

Raymond Barre, the former prime minister, encouraged a group of centrists, who are in sympathy with the changes advocated by Mr. Mitterrand, to split with the UDF.

Meanwhile Gaullists in the Rally for the Republic, shell-shocked by the poor electoral showing of their leader, Jacques Chirac, are divided about their future.

Mr. Mitterrand, in Parliament, counts on the tacit support of the Communists to give Mr. Rocard's government leverage with the conservatives.

Mr. Giscard d'Estaing, the other leading conservative figure, has a third idea. He has proposed a grand coalition government, half Socialists and half conservatives, to prepare France for the integration of the Common Market in 1992.

But this idea, advanced as a way to overcome the cleavages in French politics and mobilize the whole nation behind the task of preparing for 1992, has been dismissed by many commentators as utopian.

Armenians Lift Strike Ahead of Meeting

Compiled by Our Staff from Dispatches

MOSCOW — A monthlong strike has been called off in the disputed Nagorno-Karabakh Autonomous Region, the Communist Party newspaper Pravda said Sunday.

Meanwhile, thousands of Crimean Tatars demonstrated Sunday in the Uzbekistani capital of Tashkent. The Tatars, protesting the Kremlin's June 9 decision to deny them an independent homeland, were dispersed by police, reports reaching Moscow said.

One of the demonstrators, Server Tuvarchy, interviewed by telephone, said 5,000 people massed in Tashkent's Revolution Square. He said police beat protesters and tore their banners from them.

And in Moscow on Sunday, a group of Soviet Jews gathered to demand the right to emigrate. Ten minutes after they began, their posters were torn down, and shortly afterwards their leader was taken away by police.

Other Soviet Jews were protesting a loophole in Soviet legislation that they said prevented them from leaving the country.

In a separate rally in Moscow on Sunday, Armenians demanded a solution to the Nagorno-Karabakh dispute.

The unrest in Nagorno-Karabakh is a potential embarrassment for Mr. Gorbachev during this week's party conference, which he hopes will approve radical reforms.

ethnic clashes between Armenians and Azerbaijanis since Nagorno-Karabakh's governing council first called for unification with Armenia in February.

(Reuters, AP)

OAS Cutbacks Are Foreseen

New York Times Service

WASHINGTON — The Organization of American States is likely to suspend its aid programs for the rest of the year because of the worst financial crisis in its history, according to OAS documents and officials.

A financial report presented to the budget committee of the 31-nation organization on Thursday said the OAS faces a \$20 million shortfall by the end of the year, half of which is the result of a cut in the U.S. contribution. The cut was caused by U.S. budget limitations.

Recommendations for cutbacks will be presented this week to the permanent council of the OAS, the organization's administrative body.

Advertisement for MDM GENEVE watches, featuring a large image of a watch and descriptive text.

Advertisement for Isle of Jura Single Malt Scotch Whisky, featuring an image of the whisky bottle.

Advertisement for University Degree, offering a program for work, academic, and life experience.

Bruised at the Polls and by Scandal, Gandhi Appoints 9 New Ministers

By Steven R. Weisman

New York Times Service

NEW DELHI — Prime Minister Rajiv Gandhi of India has carried out a sweeping change of his cabinet and the leadership of two popular Indian states in a move to shore up his political standing after several recent election defeats.

mediary who had earlier denied advising such a payment. In his comments Saturday, Gandhi suggested for the first time that illegal payments might have been made.

Mr. Gandhi, acting on Saturday, also sought to contain the political damage from new evidence, disclosed in the press, that suggests possible kickbacks in a \$1.3 billion overseas weapons contract.

The prime minister's actions came at an early morning swearing-in session with his new cabinet that reflected a defensive new atmosphere in the wake of both the scandal disclosures and the losses by the governing Congress (I) Party in several legislative races June 16.

No evidence has surfaced linking the payments to Mr. Gandhi or anyone in his government, and many politicians and commentators had begun to think that the scandal was dying down. But the publication two weeks ago of new documents reopened the charges.

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U.S. Drought Depletes Grain Supplies at Fast Rate

By Keith Schneider
New York Times Service

WASHINGTON — The worst U.S. drought in half a century is causing traders, grain companies and warehouse operators to buy record amounts of grain and soybeans from the government, drawing down stocks owned and managed by the Department of Agriculture more quickly than at any time since the early 1970s.

How long the drought continues, and how the government reacts to it, could affect the future of international relations, the fate of many farmers and what citizens pay for foodstuffs ranging from bread to beer.

Only twice previously, in 1949, and again from 1975 to 1977, have the government's grain stores been depleted. Both times, agricultural economists said, food prices soared.

Since 1933, the government has used its grain stocks to regulate supplies and prices. In years of surplus, the government accumulates grain, in effect drawing grain from the market and stabilizing prices. In lean years, the government releases its stocks to the market, where they act as a reserve supply to keep prices down.

Even government stocks of corn, which now total slightly less than a billion bushels, are moving from government storehouses at a record pace as concern grows about the effects of the drought on the nation's grain harvest.

AMERICAN TOPICS

No Driver's Licenses For Failing Pupils

By 26 to 3, the California Senate has passed what could become the first law in the United States that would require teenagers under 18 to remain in high school and prove good academic standing before they could get driver's licenses.

The Washington Post says the bill seems part of a national move toward using driver's licenses to discourage drug use, illiteracy and other social ills. In New Hampshire, Governor John H. Sununu tried unsuccessfully to require a literacy test for new drivers. U.S. Senator Pat Wilson, Republican of California, has proposed a similar bill.

Opponents say the California Senate's bill forces a white, middle-class standard on all pupils. A Los Angeles Times editorial said, "Denying a driver's license to a dropout would simply add to the burdens of a youngster who might already have more than his share. Particularly in Southern California, a dropout without a driver's license is virtually unemployable."

Opponents say pupils with a personal or family hardship could appeal to the courts for an exemption. Bill Greene, a state senator who represents the poor Watts neighborhood in Los Angeles, said, "If this bill saves 100 kids in my district, it is worth it."

Notes About People
Pat Robertson, the television evangelist, has returned to his Christian Broadcasting Network. It has suffered a severe drop in contributions since he took a leave of absence a year ago to make an unsuccessful run for the Republican presidential nomination. He decided to totally rule out ever running again for president, but said, "I do not wish to get back into politics. Politics is not fun. CBN is fun."

Isabella Marcos, the wife of the former Philippine president, says from their exile home in Hawaii that she has started writing her autobiography and expects it to be published in January. "I don't know anyone like me," she said. "I have lived a full life, richly and simply lived, through great glory and grandeur and now humility and deprivation."

Short Takes
A woman who put cyanide in pain relief medicine, killing two persons, has been sentenced in Seattle to 90 years in prison in



LEADING THE CHARGE — Civil War buffs attacking on Saturday during a re-enactment of the Battle of Gettysburg.

The first case to reach trial under a law covering death by product tampering. Prosecutors said Stella Nickell, 44, killed her husband in 1986 because she wanted to collect \$176,000 in life insurance. They said a woman who also died was a stranger to the couple but became a victim of a plot to make Bruce Nickell's death appear to be the work of a random killer.

The U.S. Department of Agriculture is secretly growing coca in a greenhouse near Washington as part of an effort to find an effective means of eradicating the crop abroad. Federal officials have kept the project under wraps because, they say, they fear that drug dealers or others might try to sabotage it. It also is a sensitive issue for the Department of Agriculture, whose responsibilities are normally crop development and food distribution.

The best way to remove porcupine quills from the nose of an inquisitive dog is to cut them in half before pulling them out, Jack Kahn of Yarmouth, Maine, says in a letter to The New York Times. Each quill has a barb at its tip, like a tiny fish hook, making it painfully difficult to remove. The quills are hollow. "The expedient of cutting the quill in half, using either a knife

or scissors," Mr. Kahn writes, "will allow the air in the quill to escape. The barb collapses and from then on, no problem."

The had publicity associated with such Washington lobbyists as Michael K. Deaver and Lyn Nofziger has prompted Morris Amitay, a pro-Israel lobbyist and former head of the American Israel Public Affairs Committee, to pick a new name for his calling. "With all the opprobrium that has been heaped on lobbyists," he said, "I've recently started calling myself a 'corridorist.'"

Tightwad, Missouri, was named more than a century ago, supposedly after the penny-pinching owner of a general store. But Mayor Tom Skaggs says the 55 residents "are generous to a fault." Town council members work for nothing. At Tightwad Bank, lollipops and balloons are given to all children accompanying their parents. Karen Honk, the bank manager, said 30 percent of the bank's accounts belong to out-of-state customers "who like the name 'Tightwad Bank on their checks. We have people living as far away as Texas, California and Nova Scotia who have accounts here because of the name."

Arthur Higbee

Congress Slows SDI Growth, Shifts Goals

By R. Jeffrey Smith
Washington Post Service

WASHINGTON — House and Senate negotiators have voted to halt five years of remarkable growth for the Pentagon's Strategic Defense Initiative program by holding its budget increase for next year to 3 percent and demanding that much of the funds go to long-term research instead of near-term weapons development, according to congressional officials.

The resulting \$3.73 billion authorization for fiscal 1989 would fall considerably short of the \$4.5 billion proposed in February by Secretary of Defense Frank C. Carlucci and a \$6.3 billion budget planned by his predecessor, Caspar W. Weinberger.

Included in the congressional action last week was a big cut in the administration's effort to develop space-based rockets to shoot down nuclear missiles as part of the initial phase of defense development. Congressional conferees voted to allocate \$85 million for the effort, instead of the \$330 million requested by Mr. Carlucci.

The decision will check the program's steady growth since President Ronald Reagan proposed it in 1983. In the last year, the kind of space-based defense that Mr. Reagan and Mr. Weinberger support has been called unattainable by independent scientists and senior Pentagon advisers.

The conferees not only voted to cut total expenditures but also stated that Lieutenant General James A. Abrahamson, the SDI program director, and other officials cannot make proportional across-the-board cuts in research. They specifically ordered that no cuts be made in expenditures on ground-based weapons that could defend against a small, accidental missile attack and on a laser that might be used against missiles.

Restructuring the program to emphasize ground-based defensive weapons was urged in February by Senator Sam Nunn, Democrat of Georgia and chairman of the Armed Services Committee. His call has been informally endorsed by Mr. Carlucci.

In a related action, budget conferees voted to trim spending for defensive weapons powered by nuclear explosives, officials said. The decision was said to reflect widespread opinion that the program, aimed partly at creating a nuclear "X-ray laser" in space capable of destroying missile boosters, is less promising than first thought.

No Agreement at UN
Despite an all-night effort, a special session of the United Nations to discuss disarmament ended early Sunday without agreement on guidelines for arms cuts, Reuters reported.

U.S. Catholic Bishops Critical of SDI
By Marjorie Hyer
Washington Post Service
COLLEGEVILLE, Minnesota — Despite lobbying by the Reagan administration, U.S. Roman Catholic bishops have said that the Strategic Defense Initiative is morally flawed as a national policy.

"We are against the deployment of SDI," Cardinal Joseph L. Bernardin of Chicago said Saturday at a meeting of the bishops at St. John's University in Collegeville, Minnesota. But, he added, "We could go along with continued research and development" under certain conditions.

On SDI, the document said, the "compelling moral case" is made by those "who specify the likely risks of an aggressive SDI program." These include, according to the bishops, the obstacle it poses to effective offensive use of this defensive system and the mounting costs of SDI in the face of unmet social needs.

The combination of the technological and the strategic evaluations of the present status of SDI appear to us to promise serious risks and very hypothetical benefits at this time," the bishops' report said.

On balance, the report continued, "We remain convinced that the policy of nuclear deterrence is not a stable long-term method of keeping the peace among sovereign states."

At the same time, the report said, in a "dangerous world of both widespread nuclear knowledge and extensive nuclear arsenals, we find condemning nuclear deterrence too drastic a solution and embracing it too simple a response."

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Boeing Had Told Aloha Airlines of Corrosion on Jets

WASHINGTON POST SERVICE
SEATTLE — Five months before an Aloha Airlines 737 jetliner lost part of its roof on a flight between islands in Hawaii, the Boeing Co. began warning the airline that its 10 jets had significant corrosion and needed major structural inspections.

In documents obtained by The Washington Post, Boeing urged the airline to replace corroded skin panels on its four most-heavy flown jets — including the one involved in the accident.

Aloha operates a high-frequency schedule in a highly corrosive environment, Boeing told the airline in a letter Nov. 13, and the manufacturer urged maintenance that would assure thorough and frequent inspections.

The Aloha president, Maurice Myers, disputed Boeing's assessment that all 10 of Aloha's jets were corroded, and challenged the assertion that Aloha's maintenance philosophy was dictated by "following the quick path" in repairs.

Two weeks before the accident, Boeing reminded Aloha to conduct complete inspections on the aging jets. The 737 involved in the accident — which killed a flight attendant — had accumulated the second-highest number of flights in the entire Boeing jet fleet.

Contras Return to Nicaragua

Rebel Leaders Say They Are Ready to Resume Fighting

By Julia Preston
Washington Post Service
LA VIGIA SUR, Nicaragua — Thousands of guerrillas who retreated to base camps in Honduras during a three-month cease-fire are heading back to Nicaragua, ready to resume fighting against the Sandinista government, according to rebel commanders in northern Nicaragua and Miami.

The return of the guerrillas, known as contras, to mountain strongholds and forest trails inside Nicaragua reflects the conviction of their military leaders that negotiations with the Marxist government will not provide a settlement of the war.

During most of the six years that the Reagan administration has asked the contras, their resilience in battle sometimes flagged, but at situation now seems to be reformed. The rebels in the field appear to be clinging to their sense of purpose more firmly than their leaders in Honduras and Miami, who are embroiled in infighting.

U.S. officials reportedly advised rebel politicians to make the best deal they could with the Sandinistas while their military supplies dwindled, but the contras say they would rather stick to their guns than in a losing battle.

from receiving \$17.7 million in U.S. food aid inside Nicaragua. The U.S. Agency for International Development, which administers the aid, decided in early May to give contra fighters the equivalent of \$1 a day in Nicaraguan cordobas to buy food inside Nicaragua.

"Our forces are coming back," said a rebel commander in La Vigia Sur. "The money's coming. There's nothing left to do at our bases."

In Miami, a spokesman for the contras said, "We don't believe we can get democratic reforms from the Sandinistas in negotiations. We'll have to do it with our rifles."

He was speaking for the council that governs the 9,500 fighters of the contra alliance. He said the contras felt the truce was shattered in the past two weeks by Sandinista violations.

A group of about 1,500 guerrillas was allowed by freshly laid Sandinista mine fields, the contra commanders said.

Last week, Azucena Ferrer, one of five Nicaraguan Resistance political directors, said in Miami that the contras are willing to continue negotiations, but will require guarantees that the Sandinistas will agree to specific reforms and U.S. aid will be provided to bolster bargaining leverage.

Ortega Attacks Shultz
Steven Kinzer of The New York Times reported earlier from Managua: As Secretary of State George P. Shultz prepares to leave Wednesday on a three-day trip through Central America, that will bypass Nicaragua, Sandinista leaders are expressing fears that the Reagan administration is preparing new pressure.

Mr. Shultz plans to visit Guatemala, El Salvador, Honduras and Costa Rica. President Daniel Ortega Saavedra said the trip by Mr. Shultz "is not a peace signal," and claimed that Mr. Shultz would seek some sort of support for a statement that would lead President Ronald Reagan to ask for more aid for the contras.

Sale by Public Auction on account of Judicial Proceedings concerning "ASSOCIATION CHALLENGE 12"
On Thursday, July 28, 1988 at 4 p.m.
Zona Portuaria Port de Commerce de SETE
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"CHALLENGE 12" (1982)
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(State ship of Australia 2 Winner of America Cup B3)
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Valid from 9 a.m. onwards served by Mrs. MARQUES & BELLY Consultants-Priseurs.
1000 MONTY LEE (Phone: (0331) 67.34.26.02)
Mc ROSTAND Commissaires-Priseurs, 72009 PARIS (Phone: (0331) 45.21.52.19).

125 YEARS OF SOLVAY.
HISTORICAL RECORD OF RESULT
LETTER FROM THE CHAIRMEN
125 years
1988 marks a twofold anniversary: the 125th birthday of Solvay & Cie and the 150th anniversary of Ernest Solvay's birth.
It was on December 26, 1863 that Solvay & Cie, a "commandite par actions" was founded by Ernest and Alfred Solvay together with a group of family friends. Throughout the generations the pattern of shareholding has remained exceptionally stable.
The face of Solvay & Cie has changed considerably over its 125 years of existence and more particularly during the last 25 years: the single-product Belgian company of 1863 has become today a worldwide enterprise diversified in five sectors of the chemical industry.
The last 25 years
Indeed, in the early sixties the company was still predominantly involved in its initial business or those developed in the first half of the 20th century: the company was established mainly in Europe with a diversification in Brazil. A twofold expansion, both geographic and in fields of activity, has taken place during the last 25 years. Plastics, in addition to PVC grew with the take-off of high-density polyethylene and then of polypropylene. The creation of the Interex Group with Laporte Industries (Holdings) PLC enabled Solvay to increase the importance of its Petroxygens sector. The Processing business had considerable growth in sales over 25 years through diversification in several key sectors. The coming of age of specialty polymers is also worth mentioning, as is the growth of the Health sector through a program of acquisitions. Geographically, the major diversification was the Group's re-entry into the United States in 1974, followed by a significant growth, at an accelerated pace, both internally and through acquisitions. Furthermore, significant efforts have been made since 1985 to penetrate Asian markets.
This same 25-year period witnessed two major events. In 1967 the privately held "Société en commandite" was changed into a public "Société Anonyme" in order to make the capital market accessible to Solvay.
On the other hand in 1983, the creation of the Société Anonyme Solvay by conversion of Solvay C shares and subsequent capital increases solidified the structure of Solvay's capital.
Over these 25 years, the world has changed and so has Solvay preparing for the future.
bear testimony to the Group's confidence in its future development; not often has the Group been so well positioned to meet competition: its increasing twofold diversification, in products and in countries, as well as its constant focusing on higher value-added products, makes it more resistant to the vagaries of the economy.
Increasing dividend
The revenue of Solvay shares proposed to the General Assembly amounts to 370 BF per fully-paid share, i.e. up 35 BF as compared to 1986. Moreover, on the occasion of the 125th anniversary it has been proposed to the General Assembly to allot one new free share for every 20 shares held.
Daniel Janssen
Chairman of the Executive Committee
Jacques Solvay
Chairman of the Board of Directors
KEY FIGURES OF THE SOLVAY GROUP
in millions
1986 1987 1987 1987
BF BF ECU \$
Sales 216,313 223,802 5,180 6,552
Research expenditure 8,604 9,225 214 270
Capital expenditure 23,100 (*) 18,600 431 545
Shareholders' equity 66,119 67,933 1,574 1,990
Net earnings 9,931 12,166 282 366
(* including BF 4,800 million for the acquisition of Reid-Rowell
PER SOLVAY SHARE
BF BF ECU \$
Net earnings 1,113 1,377 32 40
Net dividend 335 370 9 11
Shareholders' equity 7,768 8,012 186 235
Price on the Brussels Stock Exchange
high 8,990 15,750 365 461
low 6,020 8,350 193 245
on December 31 8,360 9,500 220 278
Staff (units) 44,787 44,957
Exchange rate 1986: 100 BF = \$ 2.47 - 1987: 100 BF = \$ 2.93
1863 SOLVAY 1988
The Solvay annual report is available in French, Dutch, English and German on request at the "Secrétariat Général" Solvay & Cie, rue du Prince Albert 33, 1050 Bruxelles.

PLO Officials Set \$50 Million To Help Anti-Israeli Uprising

By Insan A. Hijazi
New York Times Service

BEIRUT — Leaders of the Palestine Liberation Organization have set aside \$50 million to support Arab uprisings in the Israeli-occupied territories, according to Palestinian representatives.

The funds, committed by Kuwait and Saudi Arabia, are to be passed through the PLO to the Palestine National Fund, the next six months. The information was provided by officials in Beirut with the Tunis chairman of the PLO headquarters, Yasser Arafat.

The Palestinians said the funds are to be used to compensate people who stayed away from their homes as a result of strikes called by the PLO's underground leadership and also for financial assistance to families who have lost members in clashes with Israeli forces.

More than 200 Palestinians have been killed since December, when the uprising broke out in the West Bank and the Gaza Strip. Guerrilla leaders, including Mr. Arafat, say the PLO is the guiding force in the disorders in the lands occupied by Israel since 1967.

According to Palestinians here, there were sharp exchanges at a Baghdad meeting a week ago of the PLO's Revolutionary Council.

The 21 members disagreed on choosing a successor to Abu Jihad, the guerrilla name of Khalil al-Wazir, the resistance tactician who was slain in Tunis in April. Palestinians and others have said the killing was carried out by an Israeli raiding force that broke into his home and shot him to death.

Abu Jihad held the title of deputy commander of the PLO guerrilla force. Mr. Arafat is the commander, and he also heads the Revolutionary Council.

lutionary Council. Palestinians said, when some members complained that a committee set up by Mr. Arafat to take over Abu Jihad's role was not functioning efficiently.

Others took exception to the exclusion from the committee of Abu Jihad's widow, Umm Jihad. She often acted as an assistant to her husband.

The Palestinians quoted Mr. Arafat as telling the meeting that he assumed full responsibility for the committee and its actions, and that he still had confidence it would do a good job.

For security reasons, the names of the committee members who took part in the meeting were not made public.

Clash Kills 3 Syrians
Artillery duels erupted in Beirut between rival Palestinian factions on Sunday at Palestinian refugee camps, killing three Syrian soldiers, Reuters reported from Beirut, quoting Palestinian sources.

GULF: Iraq Cites a Gain

(Continued from Page 1)

bloody offensive in February 1984. That Iranian campaign appeared aimed at penetrating one of the weak points in Iraq's border defenses because Iraq's superior tank forces could not easily operate in the sprawling marshlands.

The communiqué read on Baghdad radio said that the military had used a successful combination of highly trained Republican Guard units and regular units from Iraq's Third Army Corps.

The Guards, trained in marsh warfare in recent years and equipped with an assortment of amphibious assault vehicles, stormed Iranian positions on the islands and the swamps.

Meanwhile, the mechanized units focused on clearing the territory between the islands and the border, the communiqué said.

The Iraqi defense minister, General Adnan Khairallah, told Mr. Hussein in a telegram that the offensive would have a "direct effect on the course of the war in a way that compels the Iranian enemy to understand the logic of peace."

The Kuwaiti foreign minister, Sheikh Sabah al-Ahmed al-Jaber al-Sabah, praised the victory and called on Iran to "listen to the voice of reason" and end the war. Kuwait, Iraq's neighbor to the southwest, has been one of Baghdad's main supporters in the war.

Saturday's offensive follows concentrated Iraqi drives that included the recapture of the southern oil port on the Faw Peninsula on April 18 and Iraq's seizure of the Iranian-occupied village of Shalanchah and the eastern approaches to the southern port of Basra, Iraq's second largest city, on May 25.

A week ago, anti-Khomeini Iranian rebels of the National Liberation Army, which is supported by Iraq, said they had seized and withdrawn from the Iranian border town of Mehran.

JAPAN: In the Far East, Increasing Respect for Its Work on Development

(Continued from Page 1)

regional security, commented: "Everybody is relaxed because the Americans are still in the region."

Mr. Wanandi, executive director of the Center for Strategic and International Studies in Jakarta, said that Japan was increasingly identifying itself with the needs and aspirations of other non-Communist countries in Asia.

He added that Tokyo's efforts in the last two or three years to open its economy more widely to imports, to enlarge and liberalize its aid and expand industrial investment in Southeast Asia had made Japan "more and more respectable" in the region.

Many people in Southeast Asia who lived through World War II retain harsh memories of life under Japanese occupation, he said. Others, until a few years ago, resented what they saw as dominating economic behavior of Japan in the 1970s and early 1980s, he added.

But the Singapore leader noted in a recent Japanese television interview that the Japan of 1988 was not the Japan of 1938.

"I don't think any Japanese is dreaming of a big Japanese empire and a co-prosperity sphere," he said. "It's a different world."

Paron Yarasana, president of Siam Cement Co. Ltd., Thailand's largest industrial conglomerate, said there had been a positive change in Japan's attitude toward Thailand.

"We used to need the Japanese, but things have changed and now they need us more," he explained, adding: "They have to find some place to put all that money."

Japan has enhanced its influence and status in the region, analysts said, by signaling that it would be a benefactor and partner in development, rather than a predator exploiting abundant cheap labor and raw materials.

Japan's rise as a regional leader has also coincided with a relative decline in U.S. economic power which, American officials have warned, will inevitably curb the flood of imports from East Asia into the U.S. market.

This has reinforced a conviction among market-oriented nations that plugging into the Japanese market, and making use of Japanese investment, technology and aid, is essential for their economic well-being.

The main trading nations in this region have until recently been exporting nearly four times more manufactured goods to the United States than to Japan.

But businessmen and Japanese officials report that this pattern is changing as the products of indus-

tries, many of them the result of Japanese investment, start to sell in Japan.

Mr. Wanandi said that one result would be "closer integration" between Japan and the other economies of east Asia. "It's already happening," he noted.

The Singapore leader and other officials in the region said they were interested in proposals advanced by Japan and Australia for like-minded trading nations to act in concert with Japan in international negotiations to advance their economic goals and preserve free trade.

Victor Hao Li, president of the East-West Center in Honolulu, Hawaii, said that Japan's emergence as a leader and innovator across a broad front was part of a change of political and cultural attitudes in Asia.

He described this evolution as "a shifting, if you will, of the political tectonic plates that were frozen in place after World War II and the end of the colonial era."

Mr. Li said that other pivotal changes were attempts by China to establish cooperative political and economic relations with its neighbors, the need for the United States to share responsibilities with others in the region, and the transfer of leadership in government, business

and the professions from older to younger Asians.

These new leaders, he said, would be "more willing in question Western models which were accepted by their predecessors, and more inclined to assert traditional cultural values and ways of doing things."

U.S. leaders, he said, knew very little about this upcoming generation. The United States, he cautioned, would have to do much more to understand the region.

Lee Poh Ping, who teaches international politics at the University of Malaysia in Kuala Lumpur, said that younger Japanese are more confident and assertive than their elders about taking an active role in Asian affairs.

"They don't carry a guilt complex from World War II," he explained. "They know that Japan's economic and financial power, if correctly applied, will make their country more influential and acceptable overseas."

Since the 1970s, he noted, the governments of Singapore and Malaysia had applied Japanese work and management practices to some aspects of their economies. The Philippines and Thailand had also shown interest in Japanese methods of economic management, he added.

SOVIET: Party Braces for Crucial Reform Session

(Continued from Page 1)

call for secret ballots, limitations of office, competitive elections for the party leadership, abolition of party agencies that duplicate and dominate responsibilities of government departments.

It will also be able to issue binding directives to the Supreme Soviet, the country's compliant parliament, to enact new electoral procedures for government positions and new safeguards for civil liberties, which have often been ignored.

When he called last year for the conference, Mr. Gorbachev had hoped that it would give a chance to purge obstructionist and old-style leaders from the ranks of the party.

Now he appears to have abandoned that hope, presumably in the face of resistance. Party officials at the conference will make no personnel changes.

In the weeks leading up to the spring, the press has published biting attacks on the party's authoritarian methods and past re-

pressions, on its secrecy and privileges.

In an attempt to discredit the party's monopoly on power, analysts have described how its tendrils grew like a parasitic jungle vine through society, suffocating the economy, stifling individual initiative and sometimes fostering corruption.

Stalin is identified as the prime culprit, the political scientist who turned socialism into tyranny and bequeathed to his successors a centralized "command economy" that does not work.

A few critics, venturing into previously taboo territory, have traced the faults and problems of Soviet society back to Lenin himself, the founder of the Bolshevik state.

The most critical proposals facing the conference call for drawing a clear line between the party and the government, extricating the party forcibly from functions that should be carried out by factories and farms or by local governments.

Mr. Kruchkov, the farm district party leader, predicts that one change likely to be endorsed by the conference will be to cut back or eliminate an array of party departments that by and large control and run the government, agriculture and industry.

"The local party leader is accustomed to the old way, where if there is a problem on a construction site, he sends someone from the party apparatus out to deal with it," he said. "Tomorrow, there will be nobody to send there. He will be forced to look to the government."

Another proposal facing the conference would revoke the party's power to issue decrees that bind the government. Typically, Soviet policy is hatched in the party, and issued as a joint directive from the party and government.

According to the conference theses, free debate, competitive elections and secret ballots are to become the rule in selecting people for important jobs.

These also call for limited terms of office for party leaders, who now often serve for life. There is speculation that the conference will consider mandatory retirement for officials at the age of 70, and a more effective procedure from recalling leaders who do not satisfy the rank and file.

The other main thrust of the conference is to build up an elected government that will have the strength and credibility to assume real legislative powers.

Currently, government, a network of councils of people's deputies, is a rubber stamp made up of deputies chosen without competition from nominees approved by the party.

The Supreme Soviet has not witnessed a single dissenting vote since 1937, according to one Soviet writer.

These theses propose legislatures selected by competitive elections, with full-time legislators and staff, adequate budgets and real power. They also propose a separation of power, with holders of high party jobs generally barred from holding government posts at the same time.

TAKESHITA: Japan Leader Focuses World Attention on Asian Issues

(Continued from Page 1)

East-West relations have given Japan a chance to expand its political role in regional affairs.

"The emergence of a new détente is a special opportunity for us," said Kazuo Kawamishi, an East Asia specialist at Maimichi Shimbun, a national daily newspaper. "Suddenly the government can speak and act more freely on political issues."

Reflecting this, Tokyo recently sent an official to observe the Soviet withdrawal from Afghanistan, the first personnel contribution it has made to a peacekeeping effort.

In Toronto, Mr. Takeshita pressed participants at the summit meeting to support a political settlement in Cambodia once Vietnamese troops are withdrawn.

Most analysts view Japan's recent efforts in Asia as evidence of a new diplomatic maturity as well as of the economic self-interest that has long shaped external policy. Tokyo has sought to deflect U.S. pressure on South Korea and Taiwan to raise the value of their cur-

rencies, for instance, partly because it is sensitive to the political tensions the two nations are attempting and partly because its imports from both are rising rapidly.

Mr. Takeshita has consciously prepared for an expanded role in the region by sharply increasing contacts with other Asian nations since he came to office last November, analysts say.

A decline in Asia's standard criticisms of Japan — for its wartime aggression, for instance, or its longstanding reluctance to share technology — is taken in Tokyo as a measure of the region's increased acceptance of the role Japan is assuming. Nonetheless, officials emphasize the natural limits of this role.

History is acknowledged as one factor in this, despite the reduced number of references to it. More immediately, any suggestion that Japan was evolving into a substitute for direct relations between the West and the developing nations of Asia would quickly scuttle Tokyo's advances, officials believe.

The military constraints in Japan's postwar constitution, these officials add, would prevent Tokyo's participation in an arrangement similar to the North Atlantic Treaty Organization.

"Japan lacks the unilateral clout to achieve certain things," a Western diplomat said. "Its role in Asia is reaching a kind of natural equilibrium, and to formalize it further would be difficult."

There is some movement toward a formal association, however, in the less sensitive area of economic cooperation. Earlier this month, the Ministry of International Trade and Industry announced plans to set up a separate agency to study questions relating to economic interdependence in the region.

Attention has also focused on the Pacific Economic Cooperation Conference, a 15-nation group of business, academic and political leaders that held its most recent meeting in Osaka last month.

Reflecting the region's preoccupation with its economic integration, the conference is now being considered as one possible basis for a Pacific version of the Organization for Economic Cooperation and Development, in which Japan would occupy a leading position.

While Japanese officials are impatient with what they view as Tokyo's insufficient influence in groups such as the OECD, they are also reluctant to relinquish the prestige attached to such associations. Equally, many Asian nations fear the power Japan would necessarily wield in a Pacific economic group.

"We don't really know yet what we can do in the region," said Mr. Kawamishi, the Maimichi Shimbun commentator. "Japan is still finding out how far it can go."

Materials to Egypt

Celebrity Lawyer Is Accused

The Associated Press

LOS ANGELES — Marvin Minton, 60, the celebrity divorce lawyer for such stars as Joan Collins and "Dynasty," is facing misconduct accusations, filed by the California State Bar Association, stemming from alleged mishandling of clients' money.

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The three-engine Falcon 50 and 900. Executive jets as safe as airliners.

Of course you could stick with comparing operating ranges, cruising speeds, usable cabin space, the soundproofing of other private jets. Which, between us, would only again highlight the advantages which are the strength and reputation of the Falcon the world over.

But the comparison stops there for one very good reason. The Falcon 50 and 900 have three engines.

Use of a third engine positions both of these aircraft at the very strictest level of safety, that imposed on airliners making overwater flights via the shortest routes. This provides the aircraft with additional power always at the ready for the systems which ensure your comfort and safety.

To understand the essential role, vital in the power factor, especially when flying over inhospitable zones, just keep in mind the importance of the on-board electronics of a long-range aircraft.

Objectively speaking, the security offered by the three-engine Falcon is comparable to that of commercial airliners, not of other corporate jets in their class. This is of course why executives prefer the Falcon 50 and 900.

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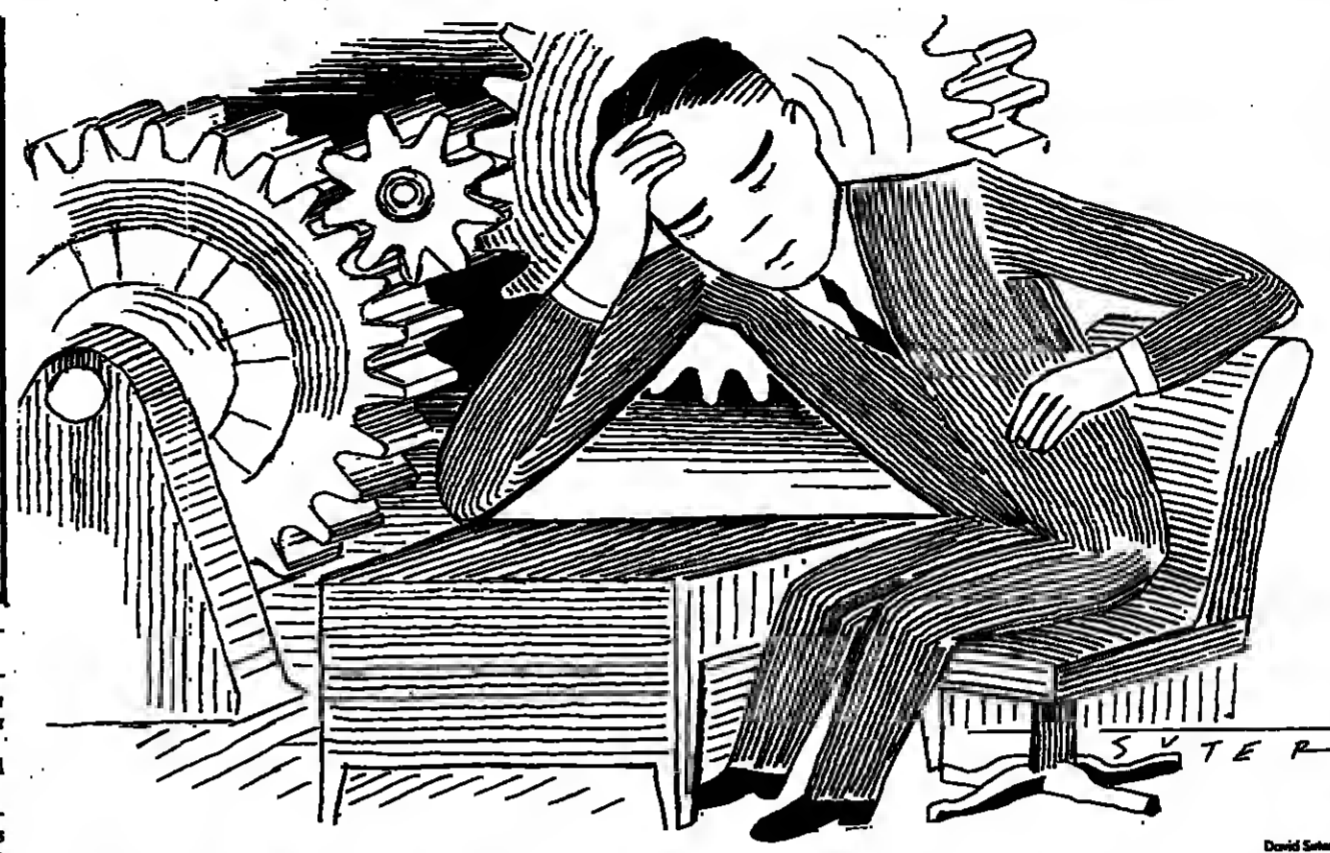
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Business takes off with Falcon.

Japan: Grappling With Success

A Season of 'Initiatives' to Match a Global Role

The reactive aspect of our system is changing, but for many of us the change is not coming nearly as quickly as it should.



By Patrick L. Smith
"When situations change, the Japanese can change their bearings and set themselves on a new course."
Ruth Benedict, "The Chrysanthemum and the Sword," 1946.
TOKYO — The emblems of achievement are all in place: The nation's banks are the largest, its per capita income is the highest and its currency the strongest; it is the world's largest aid donor and number one source of credit. At home and abroad, its 122 million citizens are consuming more than at any previous time in their history.
There is no mistaking the swell of pride that has accompanied Japan's attainment of such superlatives. And nowhere was this "changed situation" more graphically evident than at the recent summit meeting of advanced nations in Toronto, where the Japanese presence was frequently compared with that of the United States at summit sessions gone by.
In Tokyo it is the season of "initiatives," each a display of the nation's determination to advance toward a place in the global order that is both independent and in keeping with its newfound prominence. So far these have ranged from foreign aid and domestic spending to science, technology and security.
Each such effort is also intended to lend substance to the ideas first put forward by

Yasuhiro Nakasone, who completed five years as prime minister last year. Having achieved its postwar goal of rebuilding the nation, Mr. Nakasone asserted in many different contexts, Japan must determine where it goes from here.
What is now emerging in Japan, however, is not an enthusiastic search for responses to the challenge of "internationalization." Rather, it is an ambivalent, often reluctant groping by officials for answers to unexpected questions and a sense among the Japanese that the taste of success has so far proven bland.
If the situation has changed, the questions still linger: Is Japan struggling to "set a new course," as Miss Benedict, the renowned anthropologist, wrote in a different era? Or is it sinking into the smugness of affluence and an ennui that has beset the national disposition at intervals in recent history?
"I credit the Japanese with understanding their responsibilities in a relatively short period of time," said Kazuo Aichi, a prominent mem-

ber of the national legislature. "But it's not sufficient yet. An idea is one thing, to translate it into concrete proposals is another."
At home at least, it appears to be of little importance that the tasks at hand have fallen to Prime Minister Noboru Takeshita, a leader who advances the values of the traditional village more vigorously than those of a statesman on the international stage.
As if to compensate for the contrast between his own political profile and that of his predecessor, Mr. Takeshita has placed unusual emphasis on international appearances and the addition of hard results to the broad concepts left behind by Mr. Nakasone.
In many respects, the accomplishments have been impressive. In recent weeks, Mr. Takeshita has overseen a dramatic increase in Japan's foreign aid program, signed a pact with the United States on scientific cooperation and settled long-running rows over access to the Japanese construction market and imports of

beef and oranges — minor trade issues but major bilateral irritants.
On the defense front, diplomats say, the prime minister has brought Japan's role in maintaining U.S. bases here to the allowable limit under the current status-of-forces agreement between Tokyo and Washington.
The pace of economic growth — 11.3 percent on an annual basis in first-quarter 1988 — is an unassailable demonstration that Tokyo is doing its part to restore equilibrium to global trade. The prime minister is also committed to engaging the sensitive issue of tax reform, another key to raising domestic consumption.
Even the administration's opponents concede that Mr. Takeshita's brief record offers clear evidence of change in Japan. But it is just as clear, they say, that the fundamental sources of criticism have so far gone unaddressed.
The nation has yet to demonstrate, above all,

a willingness to place political and diplomatic considerations above the economic self-interest that has defined policy in the postwar era. Despite recent foreign aid increases, for instance, almost three-quarters of Tokyo's disbursements still flows to Asian nations, where opportunities for Japanese manufacturers are greatest.
More broadly, many analysts ask, which of Japan's recent initiatives was launched without the exertion of extreme pressure from overseas, usually from the United States? Ite abroad is widely recognized as an almost essential tool whenever the governing Liberal Democratic Party is faced with the necessity of altering policy at home.
To an extent, an unexpectedly strong performance by Mr. Takeshita in Toronto has begun to blunt such criticisms. But a wait-and-see attitude toward the impact of the prime minister's efforts remains prevalent even among many government officials.
"Yes, this reactive aspect of our system is changing, but very gradually," Sakurao Tani, a senior Foreign Ministry official, said recently with undisguised impatience. "And for many of us, the change is not coming nearly as quickly as it should."
SUCH comments are typical, since the Foreign Ministry is among the most forward-looking sections of Tokyo's powerful bureaucracy. But Mr. Tani and other ministry officials readily acknowledge they are the bureaucracy's weakest link; time and again, their efforts are defeated by more conservative agencies.
Commentators in and out of government often locate the centers of resistance and inertia in Japan among the Japanese themselves. The nation's relatively poor quality of life, which is almost universally acknowledged, is hardly conducive to a broadening of public perspectives on the responsibilities Japan now faces, local political analysts add.
But the problem lies less in popular attitudes than in the nature of power itself, a growing number of Japanese and foreign analysts assert. The speed at which Japan liberalizes, they say, will depend largely on how quickly the nation transforms itself into a society in which consumers have a greater voice.
There has been incremental movement away from the standing postwar formula, in which the bureaucracy served industry and individuals contributed a high national savings rate. The current effort to alter the national tax

Continued on page 9

THE NEWS

March 22: Toshiba Is Fined
Illegal Trading
The Machine Co. is found guilty of illegal trading with the Soviet Union and is fined \$15,000. Two company executives are suspended and sentenced in connection with the affair which involved sale of some military technology to the Soviet Union in 1982 and 1984.
More on TOSHIBA, page 8.

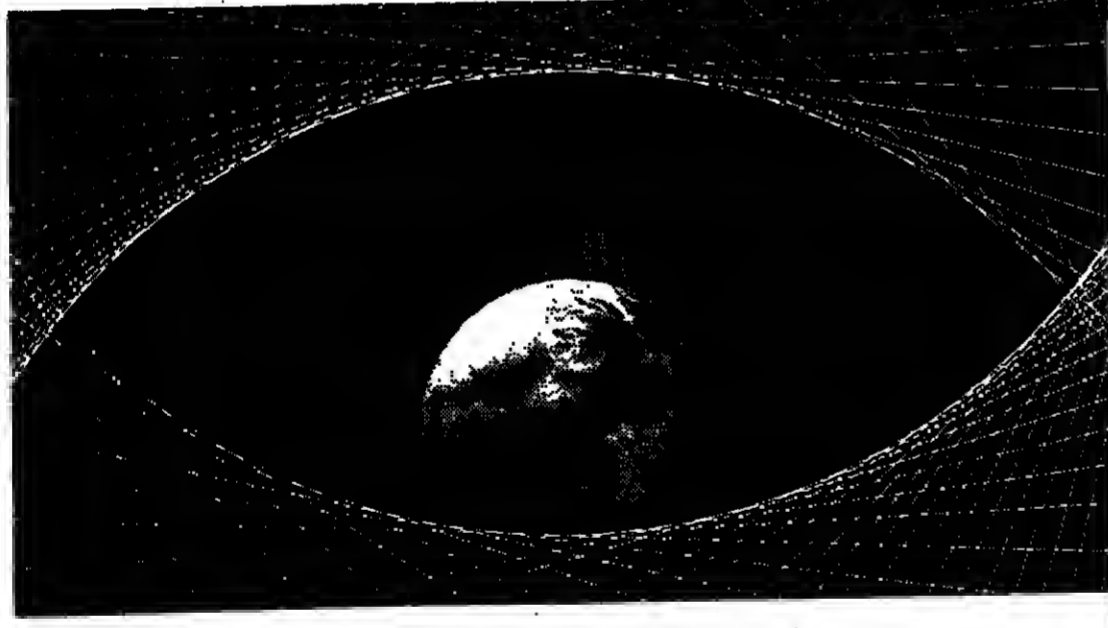
March 24: GATT Panel
on Chip Pact
Panel of the General Agreement on Tariffs and Trade rules that Japan's agreement with the United States to maintain access for its exports of microchips to the rules of the trade organization.
More on TRADE, page 9.

April 30: Takeshita Starts
European Tour
Prime Minister Noboru Takeshita visits the Vatican at the start of an 11-day tour of European capitals aimed at signaling a phase in Japan's ties with European community countries. Mr. Takeshita's first in Europe as Japan's leader, is set as a personal challenge.
More on TAKESHITA, page 8.

April 14: Party Announces
Reform Proposals
The governing Liberal Democratic Party announces its proposals for a broad reform of the tax system. On the same day, it announces that it will donate more than \$1 billion in economic aid to developing nations between now and 1992.
More on AID, page 10.

April 23: Economy Posts
Record Growth
Japanese economy expanded at an annual rate of 11.3 percent in the first three months of this year, its fastest pace in more than a decade. The increase represented a fourth consecutive year of accelerated growth.
More on the ECONOMY, page 9.

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Toshiba Case Marks Security Discussions With Washington

By Daniel Sneider

TOKYO — When Japan decided to fund the first of several Aegis-equipped ships in this fiscal year's budget, the Pentagon was naturally delighted. For several years, the Pentagon has been quietly pushing Japan to acquire Aegis, its most advanced radar system, designed to defend ships against air attack.

The decision will give Japan a significant capability to fulfill its pledge to defend the sea lanes out to 1,000 miles from its shores.

Within Japan, the government has been criticized for wasting money on a ship that is too costly, at about \$1 billion each, and unnecessary for Japan's defense.

Ironically, the strongest, and certainly most unanticipated, opposition has come from within the United States. A small but powerful group of Congressmen has been trying to block the sale.

The Aegis case is only one of many reflections of new tensions in the U.S.-Japan security relationship in the aftermath of last year's highly publicized Toshiba Machine case. The Japanese company illegally sold sophisticated propeller-milling machinery to the Soviet Union that could have been used to make quieter submarines.

"In the view of the Toshiba matter, we can't afford to offer the Star Wars of the sea to a country that has been unable to protect our secrets," declared Representative Duncan L. Hunter, Republican of California, who has led the anti-Aegis fight.

Mr. Hunter was also in the forefront of a wave of anti-Japanese actions when the Toshiba affair broke in the spring of last year. He was one of nine Congressmen who wielded sledgehammers in front of the Capitol to smash a Toshiba-made radio in a much-publicized display of their demand for sanctions against the firm. He sponsored legislation to impose punitive measures against Toshiba Machine and its parent, the giant electrical manufacturer Toshiba Corp.

The Toshiba legislation is the most prominent example of the anti-Japanese feelings generated by the potent mixture of trade friction and the image of Japan as a lax security partner.

According to some U.S. critics, Japanese business and government have been more interested in doing business than in enforcing restrictions on the flow of militarily sensitive technology to communist countries. Japan is a member of the 16-nation Coordinating Committee on Export Controls, or COCOM, the Western body that coordinates controls on strategic technology flows.

Congress ultimately passed an amendment to the Omnibus trade bill that imposes a 3-year import ban on Toshiba Machine and somewhat milder sanctions on the parent firm.

The Reagan administration opposed such measures, pointing to the significant efforts Japan has made since the case to tighten their controls and revise laws to impose tougher penalties on illegal exporters. The U.S. legislation, officials of both countries argued, is a violation of Japan's sovereignty and could undermine the functioning of COCOM.

The president's veto of the trade bill did not cite the Toshiba sanctions as a cause for rejection, signaling that a revised bill with the sanctions would not draw a veto.

The concerns about technology have melded into larger complaints that Japan, along with some Western European nations, is not carrying its fair share of defense. The most oft cited comparison is the level of defense spending as a percentage of gross national product — nearly 6 percent in the United States and little more than 1 percent in Japan.

"Japan's efforts are too little and too slow," said Representative Patricia Schroeder, Democrat of Colorado and chairwoman of a House

Pentagon officials have been waging a battle against a 'new isolationism.'

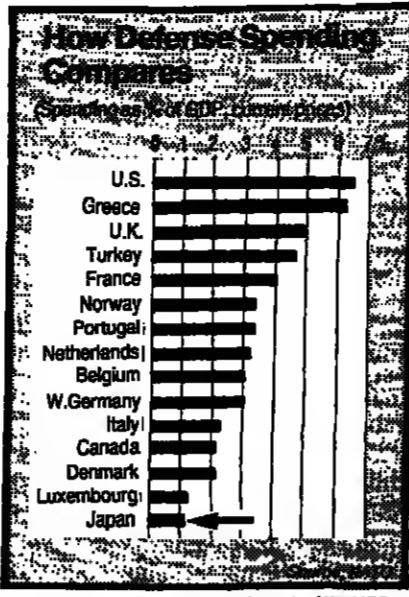
of Representatives panel on burden sharing, at hearings in February.

Japan draws particular fire for running a huge trade surplus while the U.S. trade and budget deficits remain massive. The U.S. deficits, such critics argue, are due in part to a global defense burden that the United States can no longer shoulder to the current extent.

While calling on Japan to do more in the area of defense, Pentagon officials have been waging a battle in the Congress and elsewhere against what Defense Secretary Frank C. Carlucci has tabbed a "new isolationism."

"I have tried to make certain the American people—and their representatives in Congress—do not underestimate what our allies contribute toward our common defense," Mr. Carlucci said in a speech to the Japan National Press Club early in June. "In Japan's case, those contributions are significant, and they are on the increase."

Mr. Carlucci cited the steady growth in Japanese defense spending, averaging almost 6 percent a year during this decade, and the extension of Japan's defense sphere to cover air and sea lanes out to 1,000 miles from its coast. Japan's American-authored post-World War



II constitution limits its military role to the self-defense of its own territory.

"In another measure of alliance support," Mr. Carlucci noted, "Japan spends an average of \$45,000 each year for every American serviceman and servicewoman stationed here — the most generous host-nation support of any American ally."

U.S. defense officials also point to progress in the area of cooperation on defense technology development. During Mr. Carlucci's visit, the two countries concluded talks on an agreement for joint development of a new fighter aircraft based on the design of General Dynamics' F-16.

Pentagon officials privately worry that potential Congressional actions on programs like the Aegis sale could endanger this kind of cooperation.

Japanese and U.S. officials agree that the greatest area of expansion of Japanese spending should come in the area of economic development assistance to countries that have strategic importance, such as the Philippines, rather than a much larger military buildup. Japanese aid, a Foreign Ministry official explained, is restricted by law to nonmilitary purposes. "But it is strategic in the sense of where the money is going," he said.

For the past 10 years, he said, "we are giving to what we call countries located around a conflict area." He mentioned recipients like Turkey, Egypt, Oman, Thailand, Indonesia, Pakistan and the Philippines. Aside from the Philippines, assistance for Afghan refugees is high on Japan's current list.

Japanese officials, who point with pride to the relatively upbeat record of security cooperation, respond testily to their American critics. "We welcome any argument based on objective facts and that is what the American administration is doing," the Foreign Ministry official explained. "On that basis, if there is more Japan can do for international welfare, we will do. But if there is going to be just emotional slander, there is going to be a very strong reaction from this country as well."

DANIEL SNEIDER is the Tokyo correspondent for The Christian Science Monitor and for Defense News.

Takeshita Keeps Pundits Guessing

By Margaret Shapiro

TOKYO — When Prime Minister Noboru Takeshita took office last November, few grand predictions were made. Skilled at backroom political maneuvering, Mr. Takeshita was widely bemoaned even in his own party as too vague, unable to lead and lacking in the foreign policy expertise to serve Japan's global interests well.

In six months the diminutive Mr. Takeshita has proven the political pundits both right and wrong. His vagueness and reluctance to step out front remain legendary, as does his eagerness to accommodate all factions of his ruling Liberal Democratic Party, even at some cost to Japan's international relations. Yet Mr. Takeshita has begun to solve some of the thorny problems that his more flamboyant and internationally popular predecessor, Yasuhiro Nakasone, left behind, albeit in an often agonizingly slow manner.

Analysts say it is still too early to conclude whether Mr. Takeshita will prove to be the masterful accomplisher that his proponents assert or the directionless and quickly forgotten interim that his detractors predict. It is also too soon to know whether Mr. Takeshita can achieve what is likely to be one of his major goals: winning a second two-year term.

"It's only been six months. We have to wait a year probably to make any clear judgment," said a political consultant, Takayoshi Miyagawa.

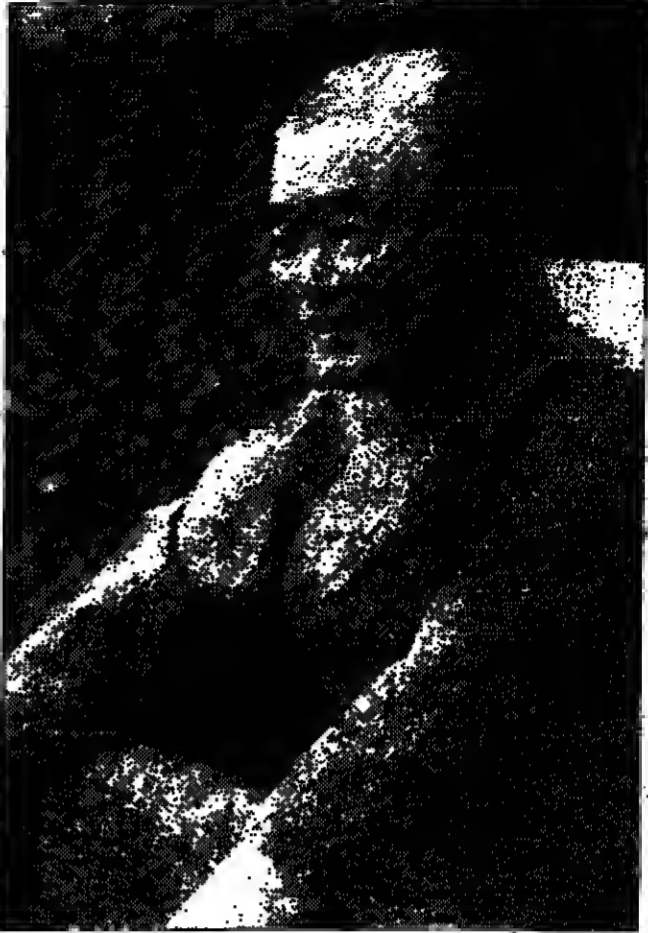
Still, a quarter of the way through his term, Mr. Takeshita appears fairly popular at home, even if he is far from a household name abroad.

In part his popularity stems from circumstances beyond his control: Japan's booming economy; growing pride among Japanese that they have become a world power; the irrefragable Tokyo stock market, and stable currency exchange rates, key for this export-dependent economy.

Critics assert these are the only reasons Mr. Takeshita is popular since he has proposed little and done little since becoming prime minister.

"His way of handling things is by doing nothing," said one of those critics, Masashi Ishibashi, a Diet member and former head of the Japan Socialist Party.

Government officials concede there have been only modest domestic initiatives, such as steps to stem the phenomenal rise in Tokyo land prices and increased



Noboru Takeshita: His supporters maintain he is biding his time until a consensus emerges.

spending on public works, from parks to new roads, in an effort to expand Japan's domestic economy. The major domestic thrust of the Takeshita cabinet, and its major test, is expected this summer when the Japanese Diet is scheduled to consider the issue of tax reform. Until that is out of the way, government officials said, Mr. Takeshita will not take on other major domestic issues.

Two of Mr. Takeshita's predecessors as prime minister, Mr. Nakasone and Masayoshi Ohira, tried and failed to reform Japan's outdated tax system. Diet and LDP committees have been debat-

ing the tax system and possible changes for months. While Mr. Takeshita has said tax reform is necessary he has yet to commit himself to any specific approach. Supporters maintain that he is playing the role of master politician, biding his time until opponents have worn themselves out, at which point a consensus will emerge that he can support and that will win.

"For Takeshita, tax reform is a very important test," one high-ranking government official said recently. "That is why he is being cautious." On the international

front, there has been more action over the last six months.

Mr. Takeshita, eager to counter the image that he is weak in the foreign policy area, has traveled frequently, most recently to Europe. On these trips he has been articulating a new, more active international role for Japan, one commensurate with its new economic power.

In terms of Japan's relations with the United States, Mr. Takeshita, like all his predecessors since World War II, has declared good relations his primary foreign policy goal and has tried to soothe the recent rancor in the relationship.

In the last seven months, the Takeshita cabinet has resolved a long-standing dispute over foreign access to Japanese public works projects, agreed to pick up a greater share of the cost of basing U.S. troops in Japan, and has begun chipping away at its trade surplus as demanded by the Reagan administration. Nonetheless, trade friction with the United States remains high and has become more severe recently over Japan's unwillingness to liberalize its orange and beef markets as U.S. trade negotiators say Japan promised several years ago.

The farm lobby, which is extremely powerful in Japan, has vehemently opposed opening those markets. While most politicians and government officials privately acknowledge that liberalization is inevitable and will benefit Japanese consumers, the Takeshita cabinet so far has shown little flexibility on this issue. Mr. Takeshita himself has expressed few public opinions on the issue except to say he would like to see the issue resolved bilaterally and as soon as possible.

U.S. trade officials, meanwhile, say that the beef and orange issue is probably just the first of many difficult trade problems likely in the next couple of years. U.S. and Japanese trade negotiators reached an agreement last Monday to end gradually Japan's restrictions on beef and citrus imports, as the United States has been demanding for years.

"The easy ones have all been solved and only the tough ones, the politically difficult ones for Japan are left," said one trade official. "The real question will be whether Takeshita, who is supposed to be such an adept inside player, can handle it."

MARGARET SHAPIRO is a Washington Post correspondent based in Tokyo.

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Restructuring ■ A Washington View

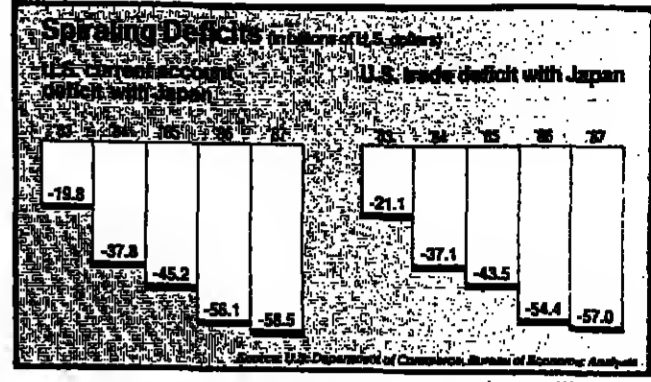
Key to Trade Tensions: Try Understanding Japan

By Clyde V. Prestowitz Jr.

WASHINGTON—By all the conventional economic wisdom of the West, Japan should be worried. The dramatic fall of the dollar and the rise of the yen over the past three years were supposed to blunt its export-led economic growth and drastically reduce its trade surplus.

During a recent trip to Tokyo, however, I found the Japanese more confident than I had ever seen them. Stimulation of the domestic economy has made it boom, and the age-old sense of vulnerability and dependence on imported raw materials and export markets has largely disappeared.

Indeed, the only concern I found was over a new surge in exports, which Japan's economists are predicting will result in a larger rather than a smaller trade surplus.



COMMENTARY

and a renewed round of trade frictions. One prominent industrialist told me that his company has cut its costs so that it can compete with the yen at 90 to the dollar, the rate to which he expects the dollar to fall over the next year or two.

This experience not only confirms the axiom that with regard to trade policy, Japan's policies and national proclivities have molded the U.S. economy so as to produce a structural deficit.

When the U.S. government sought to impose sanctions on Japan last March for violating the U.S.-Japan agreement on semiconductors, it made a startling discovery. The ideal imported product on which to place a retaliatory tariff is, of course, one which is in abundant supply domestically so that the sanction will hurt the foreign producer without causing harm to domestic users of the product. The U.S. government found that in the case of Japan there are very few such products.

Such things as VCRs, ceramic packages for semiconductors, lead frames, certain kinds of memory chips and a host of other products are simply no longer made in the United States. In the case of these kinds of items, rather than alleviating the falling dollar actually exacerbates the trade deficit because it means paying twice as much for products that must be used and for which there are no readily available substitutes.

In the 1970s, the demise of the U.S. television industry in the face of a concerted effort by Japanese industry and government was

sure there has been a surge of exports from the Asian newly industrialized countries (NICs) to Japan, but that appears to have nothing to do with Asian management since the bulk of it is due to the decisions of Japanese companies to move certain component production offshore.

The fact is that the U.S. trade deficit with Japan is largely the result of the interplay of Japan's industrial policies and highly structured society with the relatively open and loosely organized American economy. In effect, in lieu of an American industrial or trade policy, Japan's policies and national proclivities have molded the U.S. economy so as to produce a structural deficit.

These structural developments cannot be easily reversed. Even if, theoretically, the weak dollar makes production in the United States less expensive, the requisite skills, parts supplies and process technology are not there. Thus, even a dramatic change in exchange rates has little effect in many areas.

Structural and societal differences also operate to retard penetration of the Japanese market despite the exchange rate fluctuations. In the United States, it is thought proper that business be done on the basis of the best offer, not the longest term relationship. Indeed, an immigrant society could not operate any other way.

In Japan, however, the major corporations, such as Toyota and Matsushita, work with a tightly knit network of suppliers and dealers that is based on long-term loyalty cemented by cross share holding and personal relationships.

Until Americans recognize the great difference in Japanese and U.S. economic views and organizationally, they are doomed to continue to impoverish themselves in a vain attempt to correct the problem through ever more devaluation.

CLYDE V. PRESTOWITZ Jr., a former trade negotiator in the Commerce Department, is a senior associate of the Carnegie Endowment for International Peace.



Shoppers at the Akihabara electronics market.

Experts Fear Economy May Be Overheated

By Andrew Horvat

TOKYO — The Japanese economy performed beyond all expectations in the fiscal year ending March 31. The gross national product grew at a faster rate than any time in the previous decade, and many analysts were optimistic that the boom triggered by last year's supplementary budget is here to stay, at least for a while. This latter view is shared by a number of foreign observers.

"The Japanese economy is now the best performer of any in the OECD," said an economist at a Western embassy here. Perhaps the only major source of uncertainty is the outlook of the U.S. economy. "A downturn in the U.S. would mean a downturn not only for Japan but also for the NICs where Japanese industries have built factories to supply the U.S. market," the economist said.

According to figures released by the Economic Planning Agency for the fiscal year ending March 31, the GNP grew by 4.9 percent, far outpacing the 3.7 percent target set by the government last year. Planners had assumed that domestic demand would grow by 5 percent but that external demand would be minus 1.3 percent. Instead, personal spending and capital investment pushed up domestic demand while exports too, were somewhat less negative than had been expected.

The figures for the last quarter of the fiscal year were nothing short of astounding as the Japanese economy recorded its fastest growth rate in 10 years. The GNP grew by 2.7 percent between January and March from the preceding quarter, expanding at an annual rate of 11.3 percent. The last time the Japanese economy came close to that rate was in the spring of 1978 when the GNP expanded by 11.7 percent on an annual basis.

Other figures released by the Economic Planning Agency for the 1987 fiscal year were no less impressive. Personal spending was up 4 percent, capital investment by 10.1 percent, housing by 23.9 percent and public works by 10.8 percent. Housing grew by the highest rate in 24 years. Public works were the most active since 1978.

But while front-page headlines proclaimed prosperity, the inside pages of Japan's financial press have carried items suggesting that

the economy may be performing a little too actively.

The Bank of Japan is reported to be worried about the rise of commodity prices, notably that of ethylene. A basic petrochemical raw material, ethylene was in oversupply until 1983 when the Ministry of International Trade and Industry stepped in, creating what is known as a "depression cartel."

But as plants were mothballed, prices went up. With the industry operating at 98 percent capacity, the Bank of Japan asked MITI to persuade refineries to increase output to bring down prices.

The move appears to be a first step by the central bank to ward off inflation. David Gerstenhaber, an economist at Morgan Stanley's Tokyo office, says he expects the Bank of Japan to "try to nudge interest rates upward over the next few months by guiding interbank loans slightly higher."

Mr. Gerstenhaber is among those who believe that the bank is likely to raise the discount rate, sometime this autumn. The reason for the move is a reported concern at the central bank that, at 11.4 percent per year, the money supply is growing too quickly.

Although no one at the central bank will go on record about fears of inflation, the U.S. Council of Economic Advisers sent a message to the Economic Planning Agency in May warning that a sharp increase in the Japanese money supply might force the Bank of Japan to tighten credit, resulting in a downturn in financial and foreign exchange markets.

While the consumer price index has remained stable for more than a year, the Economic Planning Agency does not include the cost

of land or housing when compiling consumer price index figures.

Although land prices have begun to come down in the past few months, in at least one Tokyo ward land values went up more than 100 percent last year. Prime Minister Noboru Takeshita has tried to offset spiraling urban land prices with a plan called "revitalization of home towns," which consists of the relocation of government offices to outlying districts.

The high cost of housing has popularized two expressions: "new rich" and "new poor." The former are those who have spent all their money on buying a house and cannot afford anything else, while the latter have given up buying property and are living well, taking trips abroad and purchasing luxuries.

Last year, some 7.5 million Japanese went overseas — 10 percent more than the year before. Foreign luxury goods, especially high-priced cars such as BMWs and Jaguars, enjoyed unprecedented popularity.

But in spite of the visibility of such luxury imports, the Japanese trade surplus is far from being rectified. Short of a recession in the United States, it is unlikely that the Japanese trade surplus will decline appreciably in the foreseeable future.

But while excess liquidity, fears of inflation and an upsurge in exports may cause headaches for government planners, Japanese businessmen are generally in a buoyant mood.

ANDREW HORVAT is The Independent's Tokyo-based correspondent.

Japan's Season of 'Initiatives'

Continued from page 7

structure is the most immediate example of this.

But the success of Japan's current drive to internationalize will fully depend on a fundamental decision in the bureaucracy's instance, some analysts believe, to a stricter adherence to democratic principles. But resistance to its shows no sign of abating.

"Liberalization has a very specific meaning for Japan," said Ito Mikuni, a prominent Tokyo business consultant. "Once it comes — and it must, whether we

want it or not — it will deprive the government of much of the power it now has."

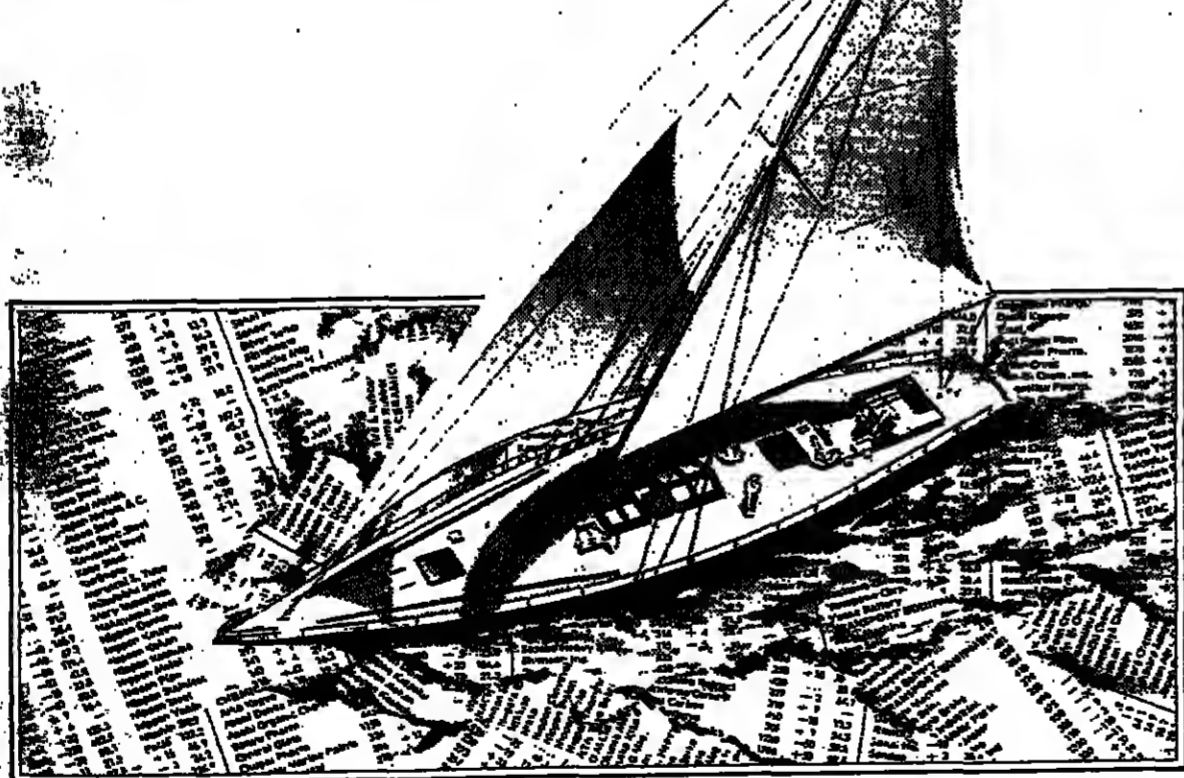
Many politicians now view the reappointment of voting power in Japan, which does not currently reflect the enormous demographic shifts in recent years, as the nation's most sensitive political issue. The Liberal Democrats, as well as the opposition parties, are already bracing for the massive political swings that are likely to accompany such change when it occurs.

It is unlikely that the issue will be engaged for several years, most analysts predict. But while reappointment is currently on no one's agenda, it may emerge as among the first significant reforms Japan faces that will not involve external pressure.

"The Japanese have to come to their own realizations from now on," said Mr. Aichi, the Liberal Democratic legislator. "And we have to make greater efforts to reach our conclusions without outside help."

PATRICK L. SMITH is a correspondent for the International Herald Tribune, based in Tokyo.

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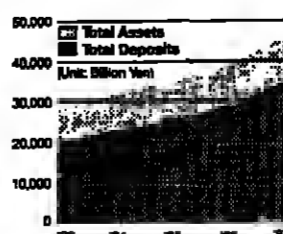


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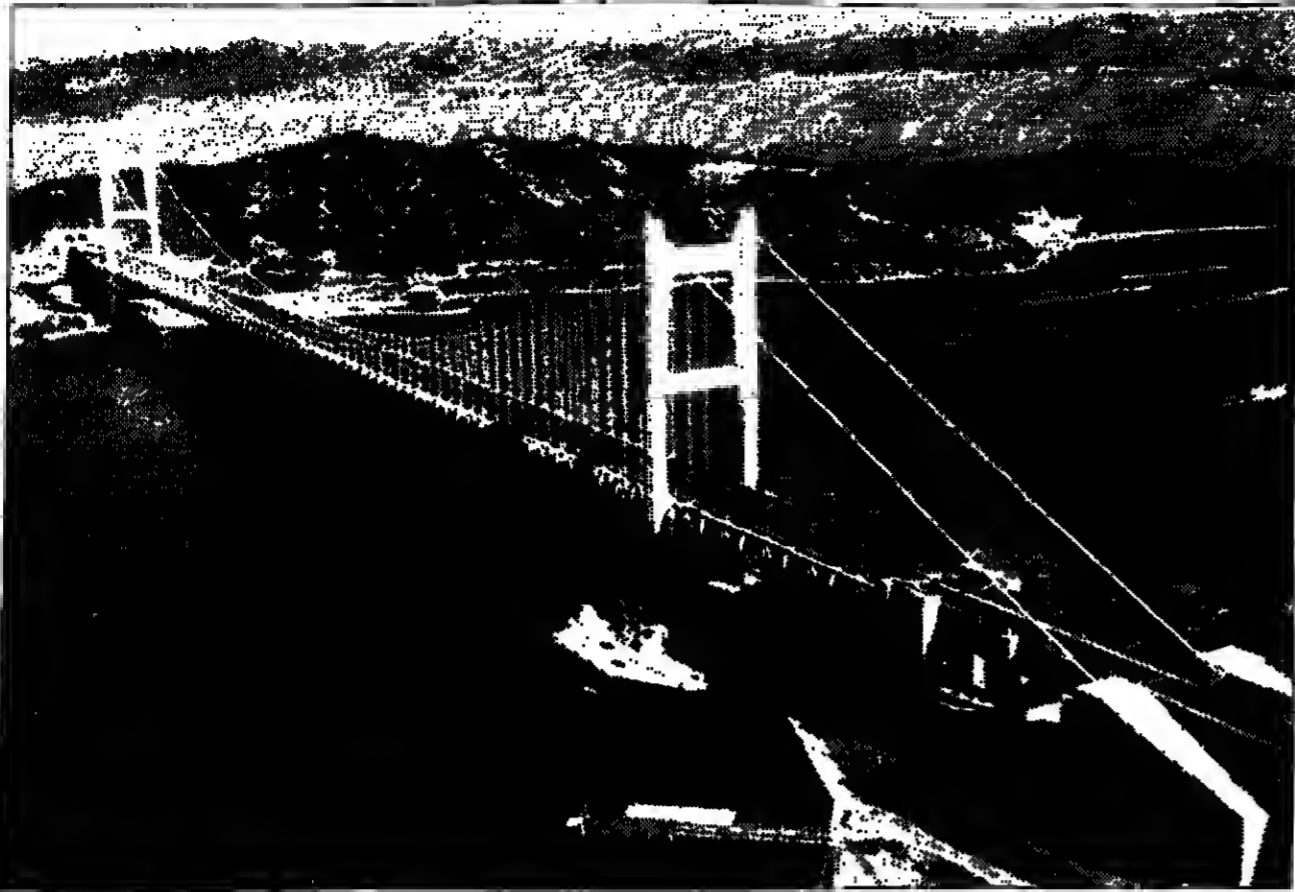
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The Seto Ohashi bridge linking the islands of Honshu and Shikoku.

Support Varies for Fixed Links

By Andrew Horvat

TOKYO — On April 10, Japan fulfilled a long-cherished dream. All four main islands of the Japanese archipelago were linked by land for the first time. Kyushu, the main island to the South has been joined to Honshu since before World War II. Shikoku, the smallest island, and Hokkaido to the north were linked in rapid succession earlier this year.

But whereas on Shikoku, officials spoke in breathless tones of the economic activity sure to be generated as a result of the new Seto Ohashi bridge, up north where the world's longest tunnel was opened to rail traffic less than a month earlier, celebrations were low-key.

The 55-kilometer (34-mile) Seikan tunnel has been portrayed as a marvel of courage and engineering; it is also widely recognized as Japan's greatest financial disaster since the war.

No less impressive than the Seikan tunnel, the Seto Ohashi took \$9 billion, 10 years and 11 lives to build. In Shikoku, however, about the only criticism of the bridge is that trains passing on its lower tier are noisier than originally predicted.

For Shikoku, the land is destined to mean better distribution of local products to the nearby cities of Kobe and Osaka, and higher income from tourism. In spite of expensive tolls on the bridge's upper tier — about \$130 one-way for an 11-ton truck — strawberry shipments from Shikoku to Osaka are expected to jump fourfold from 90 tons to about 400 tons per year. A similar bonanza has been predicted for other Shikoku agricultural products.

Moriya Ishikawa, manager of the Shikoku Economic Federation's research department reports that some 30 resort projects have been begun in anticipation of increased traffic from the Osaka-Kobe area. Cut off by sea, Shikoku has remained undeveloped in spite of its relative proximity to the major urban industrial centers of Western Japan. A centuries-old festival featuring a "dance of fools" and an even older 88-stop Buddhist pilgrimage continue to attract large numbers of visitors from the Kobe-Osaka area.

"Some people say that the tourism boom may not last long," said Mr. Moriya in a recent interview, "but I believe that increased traffic is bound to result in a general improvement of the economy." According to an estimate by the public corporation that built the bridge, Shikoku's gross domestic product could rise by as much as 2 percent in the next year.

Unlike at Seto Ohashi, where officials expect the bridge to pay for itself at some point in the future, no one connected with the Seikan tunnel likes to talk about return-on-investment — at least not on the record.

One Finance Ministry official in Tokyo was overheard recently comparing the Seikan to the battleship Yamato. The largest ship of its kind when it was built for the Japanese Imperial Navy, the Yamato was sunk in 1945 by American aircraft on the last of its very few missions.

Just like a battleship built for an era of carrier-based aircraft, the Seikan is the best train-tunnel in the world at a time when most Japanese prefer to fly.

The original impetus for the massive project came in 1954 when a typhoon sank five ferries run by the Japan National Railways. More

than 1,400 lives were lost. Construction began in 1964 on a pilot tunnel and work on the main tunnel started in 1971.

In the intervening 17 years, however, planes have proved to be more efficient and less costly in linking Hokkaido with Tokyo. The Tokyo-Sapporo run today constitutes the most heavily traveled air-route in the world.

Expected in 1956 to take 10 years and to cost the equivalent of \$110 million, the Seikan was completed in 24 years for just about 50 times that amount. When financing costs and other incidentals are added, the bill comes to about \$8.6 billion. Debt repayments and operating losses are estimated at \$79 million every year for the next 30 years.

Unlike at Seto Ohashi, where the economic benefits of the link-up are expected to be immediate, Noriaki Matsuzawa, branch manager of the Hokkaido Railway Company, which manages the Seikan tunnel, talks of being able to transfer the lessons learned on the Seikan to future projects in other parts of the world.

"The tunnel is totally surrounded by water," said Mr. Matsuzawa pointing to a computer screen outlining four separate systems of pumps. Were it not for the pumps, the tunnel would fill up with water in 78 hours. Mr. Matsuzawa, an electronics specialist, proudly recalled that a delegation of engineers from the Channel Tunnel had been to see him.

Serving as a model for the Channel Tunnel and being able to apply engineering experience gained on the Seikan, perhaps at Gibraltar or across the Bosphorus, is compensation for many people connected with a project that has gone deeper and deeper into debt from the very first day of its operation.

Nearing the Top as an Aid Donor

The idea that aid can boost the Western alliance is relatively new.

TOKYO — When a Japanese government agency presented Bangkok's Thammasat University with a center of Japanese studies, professors were elated.

Gratitude, however, soon turned to bewilderment when Japanese aid administrators insisted that every book in the new center's 200,000-volume library would have to come from Japan.

"I tried to explain to the Japanese that for the time being what we needed most were books in English because that was the first foreign language of the majority of our students," said a Thai Japonologist.

The university and aid administrators eventually reached a compromise. Professors were allowed to purchase some English-language books.

However, all such books had to be bought through Japanese distributors, who would import them to Japan first before shipping them to Thailand.

Although the above incident took place three years ago, it is illustrative of the difficulties the once-poor Japanese are having adjusting to their new role as dispensers of some of the largest sums of aid money in the world.

In the fiscal year beginning April 1, 1988, Japan is scheduled to overtake the United States as the largest single giver of official development assistance, or ODA. Japanese ODA is expected to total 1.55 trillion yen, or well above \$10 billion at present rates of exchange. This compares with \$8.8 billion earmarked by the United States for aid distribution.

Partly to offset its image as a giver of "tied aid" — the kind that forces recipients to buy the products or services of the donor country — the Japanese government recently unveiled a \$500 million program of humanitarian aid to sub-Saharan Africa.

The package is intended to supply African governments with vehicles, medical equipment, and machinery to upgrade water and power supplies. To impress upon critics that Japan is turning a new leaf, the government has obtained the services of Britain's Crown Agents and the United Nations Development Program to act as its agents.

Moreover, consensus on the priority ODA should receive in the national budget is yet to be reached. Thus aid is often given in response to outside pressure, rather than to goals established at home.

To begin with, Japan's aid program began as an extension of reparations payments after World War II. In those days, the primary concern of Japanese officials was to use aid to help Japanese exporters.

The influential Asahi Shimbun recently revealed that this attitude is still prevalent among bureaucrats. "For example," it said, "even though loans to lesser developed countries are designated as untied, the bidding is open only to companies from Japan and firms of the recipient nation." As Japanese companies are more competitive, they land such contracts "almost 100 percent of the time."

In all fairness, however, Japan has been



All the same, the sub-Saharan program is hardly representative of Japanese aid in general. As the Yomiuri Shimbun editorialized a few weeks ago, Japanese aid is "considerably inferior in quality compared with other donor nations." In spite of its volume in dollar terms, the grant element in Japan's ODA figure this year will come to about 47 percent, compared with 78 percent for France, 90 percent for the United States, and 99 percent for Britain.

As a percentage of GNP, Japanese aid ranks 12th among 18 donor nations in the Organization for Economic Cooperation and Development. Japan, however, faces some serious hurdles in increasing its aid.

The idea that aid can work to solidify the Western alliance is relatively new in Japan. As a result, the export-promotion element of Japanese aid is still more evident than in the case of most other OECD countries.

Moreover, consensus on the priority ODA should receive in the national budget is yet to be reached. Thus aid is often given in response to outside pressure, rather than to goals established at home.

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given some mutually contradictory goals to aspire to by the United States. Whereas in September 1987 the U.S. Senate passed a resolution calling on Japan to raise its ODA to 3 percent of GNP — a tenfold increase — Washington vetoed an increase in the Japanese contribution to the World Bank, lest Japan become the number one donor and thus undermine American influence there.

Another problem for Japanese officials is that while Japan is seen abroad as having a huge trade surplus, much of those excess funds are in private hands. That is one reason Finance Ministry officials gave their colleagues at the Foreign Ministry a rough time over aid increases demanded by the latter to make Japan look good at the Toronto summit.

Japanese diplomats were anxious to be able to pry criticism that Japan, a low defense spender, was also parsimonious in its ODA.

It had been the Foreign Ministry's hope to have Prime Minister Noboru Takeshita announce that Japan would increase its aid programs so that by 1992 Japan's ODA budget would reach 0.36 percent of GNP. At present, the figure is about 0.31 percent.

While the size of Japanese disbursements has grown, the number of officials familiar with the needs of recipient nations is still far below that of other countries.

The Japanese version of the U.S. Agency for International Development has 260 officials, of whom about a tenth are stationed overseas. This compares with 5,000 U.S. AID workers of whom one half are abroad.

Andrew Horvat

U.S. Seeks Bond Market Access

By Paul Maidment

TOKYO — Opening up the primary market for Japanese government bonds has moved to the top of the American government's list of markets for which it wants better access for foreign securities houses and banks.

Unlike the United States, which uses an auction system, the Japanese government has relied mostly on syndication to sell its new debt, which totaled 11.3 trillion yen (\$904 billion) in fiscal 1987. Until 1984, foreigners were shut out of the underwriting syndicates. Even now, they complain that they have barely got a foot in the door.

The syndicates, whose membership varies slightly for long- and medium-term bonds, are composed of nearly 800 banks, insurance companies and securities houses. Each member's pre-arranged share of the allocation for each issue is determined by the syndicate itself.

But, with each category of financial institution being allocated an overall share which is then divided up internally by its own lights, that gives the big Japanese banks and securities houses considerable sway.

In return, for this near-monopoly and a fixed underwriting commission of 0.063 percent, the Japanese firms that dominate the syndicate have been accommodating to the government over terms and conditions for new issues. Membership of the syndicate has been taken to imply acceptance of supporting new issues in good times and bad. Foreigners, it was suspected, could not be relied upon to behave so patriotically.

Foreign pressure and the Japanese government's own need since the mid-1980s for expanded placing power as it was faced with refinancing the 10-year bonds it had issued to cover its large budget deficits following the first oil shock in 1972-73, is but slowly changing this cozy situation. It was only in 1984 that the first 15 foreigners were allowed into the underwriting syndicates in a small way for short-term bonds.

Their numbers have grown but their role is not much bigger. There are now 30 foreign securities houses in the syndicates. In March 1987, their share of the allocation for the high-volume, long-term bonds was increased, but only to 6.28 percent of the 26.2 percent allocation of the total issue reserved for securities companies.

Salomon Brothers' allotment, which is the largest, was raised to 1 percent from 0.7 percent. Those of First Boston, Goldman Sachs, Jardine Fleming, Merrill Lynch, Morgan Stanley and S.G. Warburg were raised to 0.5 percent. Smith Barney and Vickers got 0.3 percent. Two newcomers, Credit Lyonnais and J.P. Morgan, were allocated just 0.069 percent.

Foreign houses considered this tokenism and sought a switch to an auction system, which the Japanese government has used since 1980 for only the small issues of two-year to four-year bonds.

After complaints about the unfairness of the syndication system from U.S. Treasury officials at the annual bilateral meeting with their Japanese counterparts on financial services, the Ministry of Finance agreed to sell more bonds by auction.

LAST September, 20-year government bonds were offered for auction for the first time. The following month, 20 percent of an issue of the most common maturity of government debt, 10-year bonds, was also put up for auction. Of the total of 11.3 trillion yen in new government bond issues for fiscal 1987, 8.3 trillion yen were 10-year bonds and 2 trillion yen were 20-year bonds.

The auctions were less of an auction than they seemed and than the Americans had expected. The coupon rate and issuing price of

the 10-year bonds were not determined by competitive bid but negotiated between the government and the underwriting syndicate, which distributed the remaining 80 percent of the issue in the usual way.

For the auctioned 20 percent, qualified banks and securities houses could bid only for quantities. A limit was imposed of a maximum of 1 percent of the total issue each, with pro-rata allocation in the case of oversubscription.

Now, foreign firms take just over 5 percent of the auctioned part of 10-year issues, according to a report given in May to a parliamentary committee by Kazumoto Adachi, director-general of the finance bureau at the Ministry of Finance. Adding in their syndication allocation, this gives foreign firms about 2.5 percent of the total amount of a 10-year issue.

This has left the foreign houses still dissatisfied. Again, in April, U.S. Treasury officials took up the issue at the bilateral talks on financial services. The Japanese stalled, asking for evidence that foreign firms were not able to buy the volume of bonds they wanted.

This has yet to be furnished by the Americans. However, a provision in the now-vetoed U.S. omnibus trade bill has had more immediate effect. It would have let the U.S. monetary authorities revoke the primary dealer status of foreign financial institutions from countries that did not open their markets to U.S. firms.

David Mulford, assistant secretary for international affairs at the U.S. Treasury, made it clear that this was aimed at opening up the primary government bond market.

Japanese officials say that they may increase the auctioned share of each 10-year issue from 20 percent to 30 percent and make further increases in the share of foreign firms in the underwriting syndicates, perhaps doubling their share. Individual houses' allocations would be determined by how well they perform in the Japanese market.

Finding the extra share for the foreign firms would be done by decreasing the share of the big Japanese securities houses. They would prefer to give up a little at home, rather than risk being cut out of the auctions for long-term U.S. Treasury bonds, at which they have recently been bidding for as much as 40 percent of each issue.

But even this is unlikely to satisfy foreign firms. They want a full auction of 10-year bonds to be introduced. They are taking the issue as a test case of Japan's willingness to dismantle the syndication system, which they feel discriminates against them not only for issues of government bonds but also for those of straight corporate bonds, convertible bonds and bonds with warrants.

With convertible bonds, for example, there has been an arbitrary practice that says that when one of the big four Japanese securities houses — Nomura, Daiwa, Nikko and Yamachi — lead manages a convertible bond issue, the other three are each to be given at least 7 percent of the issue to underwrite.

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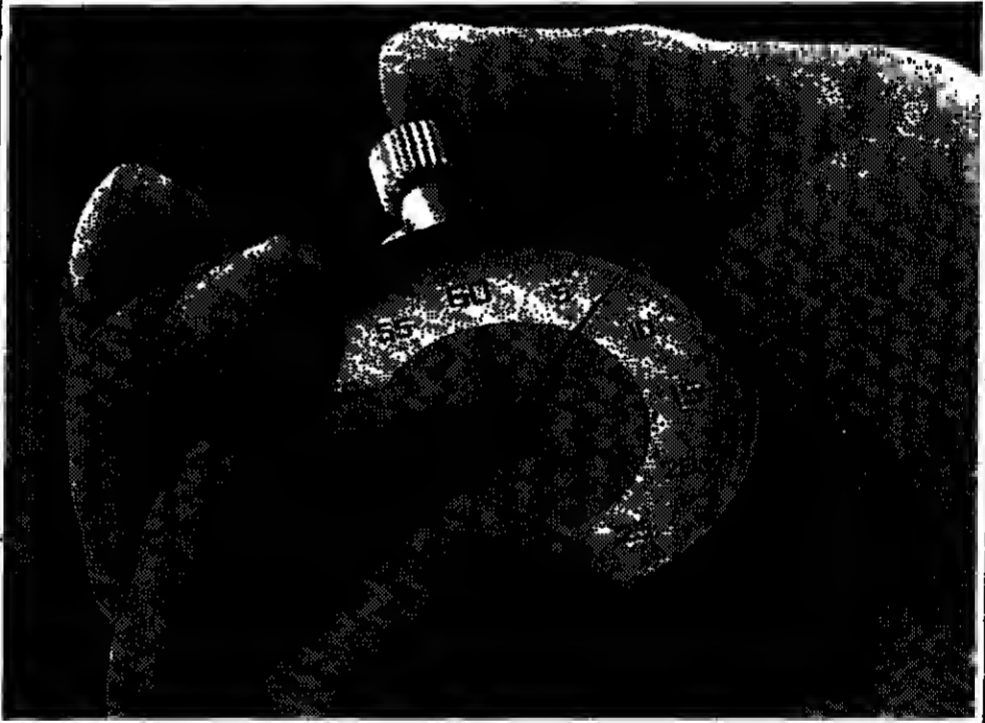
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'Friends' in Tennessee ■ Currency Might

Surplus Spills Over Into U.S.

By Linda Kessler

NEW YORK — Nashville, Tennessee, and Tokyo may have little in common at first glance, but as Japan steadily invests more of its \$83 billion current-account surplus in the United States, sushi bars have become as pervasive as the sound of country music in some Nashville neighborhoods.

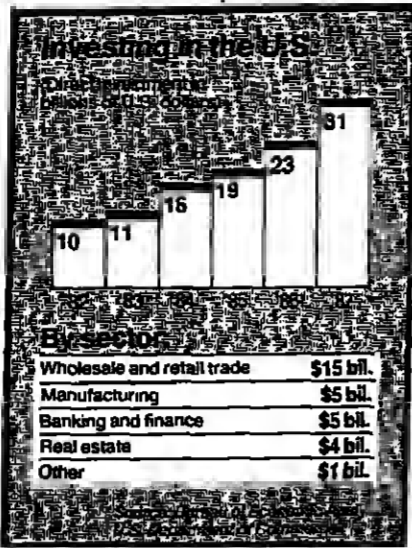
That is because Tennessee is home to about 60 Japanese companies, including Nissan, Toshiba and Kamatzi, and one of many centers of the culture evolving out of daily relations between relocated Japanese managers and American labor. So much so that Kodansha, the largest Japanese publisher, recently distributed a book called "Friends" chronicling Japan-Tennessee ties.

"We thought it would be of interest to an American audience," said Anne Cheng, a marketing associate at Kodansha's New York headquarters. "Our goal is to introduce the East to the West and vice versa."

So far, however, the book is only available in English, a wise move on Kodansha's part, given the growing momentum for Japanese investment in the United States. The Japanese appetite for U.S. assets is reaching new levels, fueled by the high value of the yen in relation to the dollar as well as the huge current-account surplus and a shortage of domestic buying opportunities.

And that is producing worries in the United States, where both policy makers and voters are evaluating the impact of the soaring volume of foreign ownership of U.S. assets.

"The Japanese in some ways have stirred up less political resistance on Capitol Hill than other foreign investors because they have no taste for hostile takeovers," said Robert McCauley, a senior economist for the Joint Economic Committee of Congress. "But there are concerns that the Japanese are coming in, building businesses and taking jobs from people who would have otherwise been working for their U.S. competitors."



In Tennessee, for example, Japanese operations have created 10,000 jobs.

"But you have to take into account the displacement effect," said William Bozzer, a director of communications at Tennessee's state Office of Economic Development. "Yes, we've got new Japanese auto operations, but we've seen U.S. companies close their doors here."

The value of Japanese direct investment in the United States is now worth \$30 billion, nearly triple the level five years ago. But foreign capital is not flowing as freely to Japan.

And that makes some policy makers uncomfortable, since the level of Japanese investment in the United States has been growing at a quicker pace than rivals in Britain and the Netherlands.

Britain remains the biggest investor in the United States, with \$70 billion in cumulative holdings, while the Netherlands ranks second, with \$52 billion.

According to Clyde V. Prestowitz Jr., a former trade negotiator in the Commerce Department and now a senior associate with the Carnegie Endowment for International Peace, the Japanese tend to carefully orchestrate their investments abroad with the government, because of the unique structure of Japanese industry that combines huge industrial firms in close alliances with major banks.

That alliance also gives acquisitive-minded Japanese companies immensely deep pockets, allowing them to pay unseemly high prices for U.S. assets. Moreover, a strong yen allows a great currency advantage against the dollar or other European currencies.

That is one reason why Bridgestone Corp., the Japanese tire maker, beat out Italy's Pirelli S.P.A. this year in its \$2.6 billion buyout of Firestone Tire & Rubber Co., a bid many investment bankers considered more a show of financial muscle than savvy.

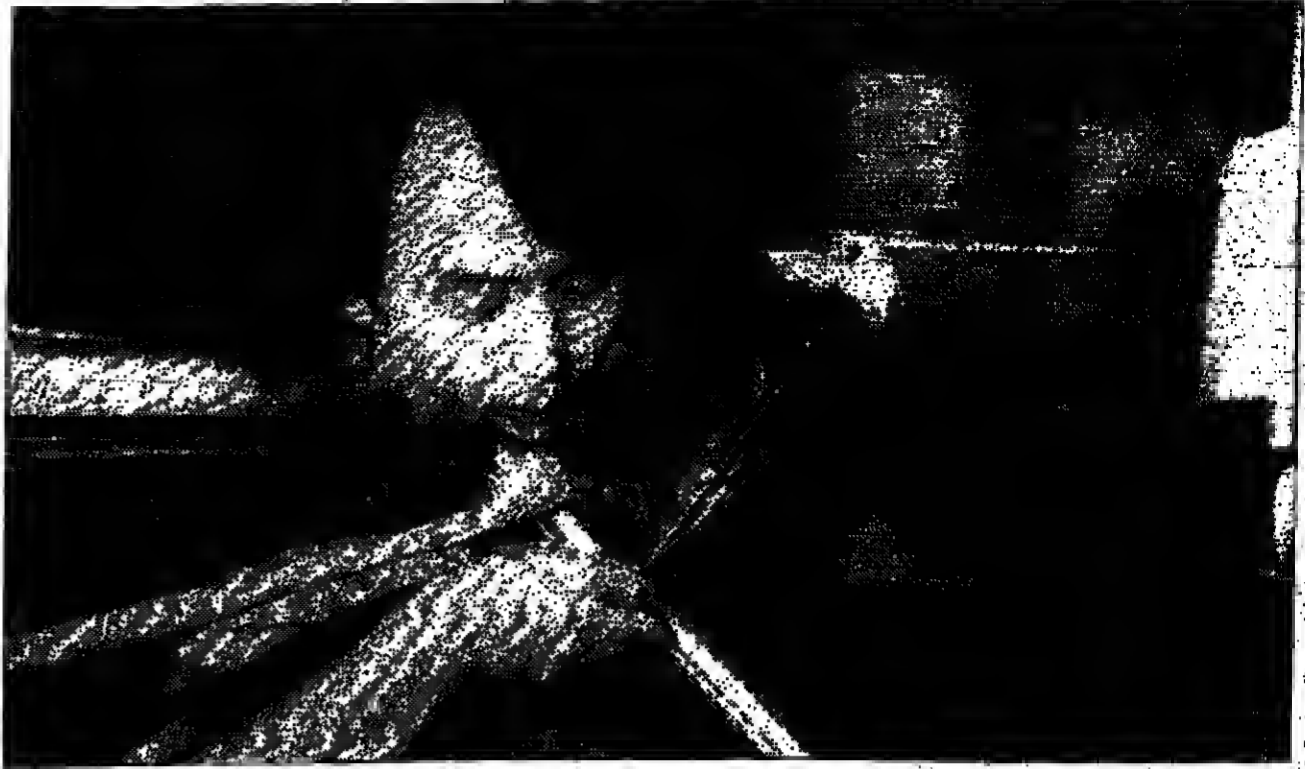
"The Japanese are rarely opportunistic buyers," said James A. Martens, a managing director at Peers & Co., a New York-based merchant bank specializing in Japanese-U.S. transactions. "They set strategic goals and make acquisitions to fit those goals."

Last year, the Japanese bought or built businesses worth \$7 billion, including a \$2 billion acquisition of CBS Records by Sony. Japanese investors also own stakes in U.S. financial institutions, such as Bank America, Shearson Lehman Bros. and Paine Webber.

However, P.J. Johnson, a vice president at Nomura Securities in New York, said, "The Japanese are here to build, not buy into this business." Since Nomura is the world's largest financial institution, with \$27.8 billion in assets, there is always speculation of its hunger for acquisitions.

The Japanese, however, have invested more in wholesale trade operations in the United States, followed by manufacturing and real estate, then banking and financial institutions over the last five years.

While Japanese holdings in U.S. stocks, bonds and treasury securities are estimated at



Nissan worker at a plant in Tennessee

\$94 billion, Japan's major institutional buyers lost over \$10 billion in two years as the yen rose and bond prices fell.

One big area attracting more Japanese investors than before is real estate, where demand has risen prices by 10 percent or more, bankers say. Japanese own urban landmarks like the Arco Plaza in Los Angeles and the Citicorp building and Chase Manhattan Center in New York, as well as virtually all of Walkiki Beach and a number of California vineyards.

Last year, the Japanese invested in U.S. projects worth \$14 billion, according to Salo-

mon Brothers, while their total U.S. real estate holdings are worth \$2.5 trillion.

"That may seem like a tremendous number, but it's less than 1 percent of the value of total commercial real estate in the U.S.," said David Shuman, the director of real estate research at Salomon's New York headquarters.

Congress is currently re-evaluating the president's veto of the trade package, which includes an amendment calling for greater disclosure requirements for foreign buyers of U.S. assets.

And financiers, such as Felix Robstyn, a partner at Lazard Freres, are calling attention

to the U.S. dependence on foreign capital flows. American companies, he said, are at a disadvantage when bidding against foreign buyers in the United States for tax and accounting reasons.

"Many governments all over the world have policies where, at the very least, domestic companies are on equal footing with foreign bidders," he said. "That's definitely not the case here. And it's time to level the playing field."

LINDA KESSLER is a financial journalist based in New York.

Yen's Strength Against Key Currencies Spurs Buying Spree Abroad

By Marybeth Nibley

LONDON — From championship golf courses in Scotland to luxury high-rises in Hawaii, the Japanese wielding a mighty yen have displayed a penchant for making foreign purchases.

Their acquisitive instincts have been spurred by government-sponsored inducements to spend some of their vast savings stowed away during the four decades since Japan was an impoverished, war-torn economy.

The yen's rise against key currencies has enhanced the attractiveness of overseas investments, particularly dollar-denominated ones. And Japan's overseas investments, whether in real estate, factories, stocks or art, are being noticed.

Take the art world. A sharp escalation in prices paid at auction for paintings in recent

years has been linked to keen Japanese interest. A boom in art buying by the Japanese began around mid-1986 when dollar-based auction prices began to look cheap.

In real estate, aggressive buying by Japanese corporations and entrepreneurs has provoked protectionist, even xenophobic, attitudes in some places. In the United States, real estate agents say, the Japanese have helped push commercial and residential property prices to unprecedented levels in some areas.

In Hawaii, the mayor of Honolulu, Frank F. Fasi, proposed legislation aimed at preventing Japanese investors from driving up land values and pricing local parties out of the market.

The reason for all the attention targeted on the Japanese is simple. For years, Western economists have been saying that Japan would become the powerhouse of the industrialized world. Now that in some respects it appears to have assumed this role — it has the world's

second largest gross national product after the United States — economists are wondering what it will do next.

"The Japanese seem to have their economic act together better than anyone else," observed Paul Chertkow, director of economics at Security Pacific Hoare Govett in London.

ONE indication of this is the resilience of Japan's export sector to the appreciation of the yen. Export-oriented industries have been able to adjust to an exchange rate that, according to conventional thinking a few years ago, was expected to destroy their international competitiveness.

Japanese manufacturers have coped with the yen's rise from 240 yen to the dollar in 1985 to about 125 yen recently.

The process has not been painless. It has

necessitated restructuring or the "hollowization" of Japan's industrial base.

The adjustment was made possible by good industrial relations and flexible working practices. Profits were squeezed, opportunities for using cheaper imported raw materials and components were exploited and production was moved elsewhere to take advantage of lower cost labor.

Latest figures show a growth in Japan's exports of merchandise despite a narrowing of the country's trade surplus over the past 13 months. Some of the export growth can be explained as a short-term phenomenon, involving Japanese companies shipping out machinery for their own new plants abroad and U.S. companies importing Japanese capital goods as they rebuild capacity.

But the rest of the growth may reflect a renewed trend of rising Japanese exports, economists say. Shipments of Japanese goods grew 10.2 percent in May from a year earlier to \$20.5 billion, while imports rose 26.7 percent to \$15.45 billion, according to recent government figures.

Meanwhile, many economists are predicting that the yen will strengthen against the dollar and the West German mark in the near future, after about six months of relative stability, as Japan's economic activity outpaces that of its major trading partners.

Projections call for one dollar to fetch from 110 to 115 yen in the next three to six months. Brokerage James Capel & Company recently predicted that the yen will rise next year, averaging about 105 yen to the dollar.

Currency analysts who sometimes talk about exchange rates having "psychological barriers" that would be difficult for various currencies to break have been reluctant to assign such a level to the dollar-yen relationship.

David Osman, an economist at James Capel, said that a sustainable dollar-yen rate is unlikely for some time and probably not before the dollar hits 100 yen.

Against the Deutsche mark, the yen will post a much smaller advance, rising to about 70 yen to the mark from a recent level of 72 to 73 yen. Although a higher yen will hurt Japanese exporters, it will increase the incentives for capital-rich Japan to send its money offshore.

The rate at which Japanese multinational corporations have been adding to their foreign direct investments has increased rapidly, triggered by a fear of protectionism. The Japanese reasoned that they could silence some complaints about their massive trade surpluses by setting up foreign operations, thus creating jobs for foreigners.

In a paper published by the Royal Institute of International Affairs, Stephen Thomson argued that Japan could become the biggest direct investor by the year 2000, replacing the United States.

"This means that as its trade surplus shrinks, Japan will have a rising stream of investment income," Mr. Thomson said.

Although some investing is done to circumvent protectionism, there is abundant evidence that Japanese companies are making long-term commitments. The evidence will probably grow quickly in Europe as the Japanese pre-

pare for the consolidation of the European Community in 1992.

"The Japanese will be very quick to seize on 1992 and make the most of it," said Brian Bridges, head of the Royal Institute of International Affairs's East Asia program. "It's clear that the Japanese are sitting down and thinking about what 1992 means for them in a way that many British companies are not."

One thing economists find interesting in contemplating Japan's more distant future is the demographic changes projected for the country.

The aging of its population is occurring at a rapid rate while population growth is slowing. The ratio of people aged 65 or over to the whole population rose to 10 percent in 1985 from 7 percent in just 15 years. (In the United States, a comparable redistribution took twice as long, according to Japanese government statistics.) The proportion is expected to reach nearly one-quarter by 2043.

Economists wonder whether these changes will effect savings patterns as the country plans for a time when fewer wage earners will live with more people past working age.

However, it would be foolish to think that Japan could have a savings shortage. Analysts estimate that the pool of Japanese savings is bigger than that for all of Western Europe.

MARYBETH NIBLEY is a financial journalist based in London.

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Banks Are Facing Transformation as They Cope With Deregulation

By Paul Maidment

TOKYO — Japan's city banks — its 13 national commercial banks — found it easy to grow big and fat. Becoming lean and mean is harder going. By assets, the top five of the world's biggest banks are city banks: Dai-ichi Kangyo Bank, with assets of \$266.9 billion at the end of March; Sumitomo Bank, with \$250.6 billion; Bank of Tokyo, \$244.1 billion; Mitsubishi Bank, \$227.5 billion; and Sanwa Bank, \$218.5 billion. Two other banks, the farm cooperatives' Meiji Yasuda, eighth at \$184.9 billion, and the Industrial Bank of Japan, 10th at \$177 billion, which lends long-term to industry, also top 10 of the world's banking giants. But in terms of profitability, Japanese banks are a world midgets. Their returns on assets, at 0.7 percent, is way below that of 10 of their international rivals, except perhaps French banks. Now, they are trying to fit those assets into profits.

For 30 years after World War II, they had no need to. Japan's highly regulated and compartmentalized financial system channeled cheaply a huge savings of individuals into the banks. They loaned on to rebuild capital-starved industry. With lots of cheap deposits to lend,

Japanese banks became masters of the low-margin, high-volume corporate loan. When Japan became the world's biggest capital exporter in the 1980s, its banks' steady international expansion, on the back of the country's postwar economic success as an exporter, turned into an explosion. The boom in the yen against the dollar since 1983 has made their assets reverberate even more. These have increased by 80 percent since 1983 in yen terms but by 200 percent in devalued dollar terms.

Most of the world still looks at itself in dollar terms, so foreign acquisitions that Japanese banks were dumping financial services at a loss and making one-rate loans have become lusher. Demands that Japanese banks comply with more demanding capital adequacy ratios to choke back the growth in their international lending was one consequence.

To comply with the Bank of International Settlements' proposed new capital-adequacy ratios, the Ministry of Finance has told Japanese banks to raise their net worth to 4 percent of assets by 1990 from around 3 percent now, and to 6 percent on a secondary measure under which banks can count 70 percent of the unrealized gains on their considerable securities portfolios as capital.

Under the BIS guidelines, they will have to meet a capital requirement of 8 percent of risk-

The Japanese banks are turning their attention to profitability and away from growth for growth's sake.

adjusted assets by 1992, for which they will only be able to count 45 percent of unrealized securities gains.

Japanese banks should get there quickly. They have already started raising the necessary new capital and shifting assets off their balance sheets. But complying with the BIS guidelines is just one reason that the Japanese banks are turning their attention to profitability and away from growth for growth's sake.

Deregulation of their home market means the banks can no longer count on a ready supply of cheap deposits. Interest-rate ceilings are being phased out and the competition for personal savings from securities houses and insurance companies is intensifying.

The abolition of the moratorium system of tax breaks for small savers' deposits this spring bit

the banks particularly hard. Around 28 percent of the banks' funds came from market-rate deposits in 1987, against only 9 percent in 1980. Within a couple of years, it is likely that all deposit interest rates will be deregulated.

This is pushing up the cost of funds. At the same time, Japanese banks have found what they can charge for loans falling as interest rates have fallen worldwide and have been deliberately pushed down further in Japan in the case of macroeconomic international coordination.

In the financial year to March, for 11 out of the 13 city banks, the average cost of their deposits was higher than the interest rates at which they could lend the funds, according to a study by Han Ong of S.G. Warburg Securities. Mitsubishi Bank and Kyowa were the only two

he could spot with positive spreads between their average deposit and loan interest rates.

At the same time, the banks have had to scramble for new customers because their long-standing big corporate borrowers have deserted them for the equity markets, especially the Euromarkets. This has meant that the banks are searching for unfamiliar and riskier customers among small firms, individuals and property developers at home and Third World countries abroad.

They have had some success. The proportion of their loans to small businesses has been rising steadily. For Sanwa, Mitsubishi and Sumitomo, loans to small businesses now account for two-thirds of their loan portfolios.

Consumer lending, too, has mushroomed, due to Japan's buoyant domestic demand. The city banks' outstanding lending for individuals' installment repayments has risen from 595.1 billion yen (\$4.76 billion) in the first quarter of 1986 to 1.96 trillion yen in the first quarter of this year; for housing, the value of loans outstanding rose from 8.52 trillion yen to 14.08 trillion yen over the same period.

Lending to the property industry rose from 17 trillion yen in January 1986 to 27 trillion yen by July 1987. It has now leveled off in response to the authorities' request to cut it back be-

cause it was fueling Tokyo's speculative land boom. However, the reported level of loans to property companies, which account for 10 percent of the banks' outstanding loans, understates the true level of lending to the property sector by perhaps as much as half.

The new customers that the banks are counting are potentially more profitable but also worse credit risks than their old industrial clients. These blue chip firms, along with the Japanese banks' relatively restrained lending to the Third World, were a main reason that Japanese banks have had such a low proportion of nonperforming loans compared to their U.S. and European counterparts.

Coping with market deregulation is harder than coping with interest-rate deregulation. Extraneous influences can more easily disrupt these new markets. Operating in them requires a different sort of management to that which has helped Japanese banks grow big. It needs to be more accommodating to risk.

How well the banks manage the transformation will hold the key to how trim and competitive they become.

PAUL MAIDMENT is The Economist's Tokyo bureau chief.



Downtown Tokyo, where land prices are at a premium.

Foreign Brokers Prepare for Rough Times

By Andrew Horvat

TOKYO — In other countries, the induction of a new member into a stock exchange is done with the casualness of a handshake. Not so in Japan. The opening on May 22 of the Tokyo Stock Exchange to 16 foreign brokerages last month was accompanied by the presentation of badges and certificates and the clapping of hundreds of hands in unison 20 times — to clear the air of evil spirits.

Perhaps the festivities were in order. After all, the foreign firms had just spent the equivalent of \$13.5 million each in fees and incidentals, an amount nearly 30 times the cost of a seat on most American and European exchanges.

The induction ceremony also climaxed years of pressure by Western governments on the Japanese Finance Ministry to open probably the most thoroughly closed major securities market in the world.

Hardly a month ago, when Japan accounted for more than 40 percent of the value of stocks traded in the world, a mere six foreign firms were permitted to trade on the Tokyo Stock Exchange floor. In March last year, the British government threatened to retaliate against Japanese financial houses in London unless the Tokyo exchange was opened to more foreign firms.

And yet, even before last month's ceremony, many foreign brokers knew that the 16 foreign firms were headed for difficult times. With the exception of their first trading day when newcomers are traditionally given plum deals, the total turnover of all 22 foreign brokerages has come to less than 3 percent of trading on the Tokyo exchange. Of those 22, 16 account for less than 1 percent of the exchange's daily trade.

As an analyst working for an American house said, "I suspect that a lot of the foreigners are trading on their own account so their real trading is even less" than the percentages cited above.

With the exception of Salomon Brothers, which hired a large and aggressive staff before obtaining its seat last month, few foreign brokerages have been able to gain

access to major Japanese institutional investors.

But despite the anticlimax, two British houses, James Capel and Barclays de Zoet Wedd, are still lobbying for seats on the exchange and their absence from last month's list of successful entrants constitutes a diplomatic irritant in British-Japanese relations.

Although threats of retaliation are no longer heard, Lord Young, Britain's trade secretary, made a point of telling his Japanese hosts during a visit earlier this year that he was "disturbed it has taken such a long time for British firms to get seats here when we've welcomed foreign houses into the City."

Ken Lucas, director general of James Capel Pacific, said that his company's volumes "justify a seat on the exchange." According to Mr. Lucas, among foreign brokerages given seats last month many had far less volume than his company.

Officers of the two firms passed over last month have argued that their exclusion was based on a bureaucratic formula that allowed the Tokyo exchange to admit six U.S. and four British firms along with two each from West Germany, France and Switzerland.

Undamned by their failure to get seats, both Capel and BZW are expanding their Tokyo staff, as are

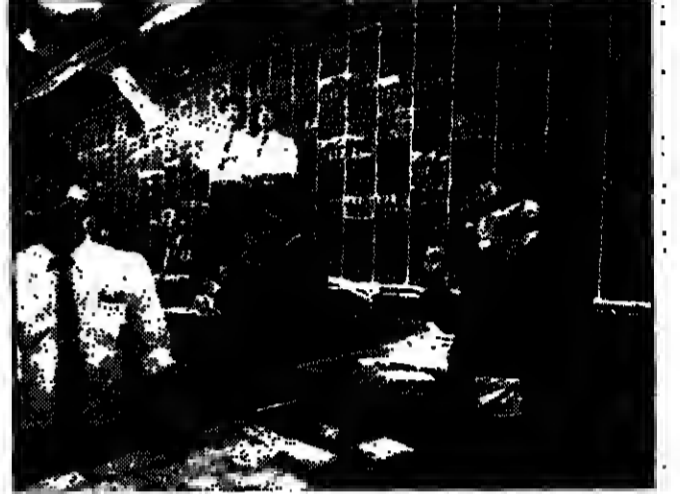
almost all major foreign financial firms here.

According to a Japanese business journal, in the past seven years, hirings by foreign securities companies in Tokyo went from 400 to 3,500. In spite of salaries and benefits that go as high as \$250,000 per employee, the journal predicted that another 1,500 persons would find employment at Tokyo branches of foreign firms in the next four years.

For an industry that prides itself in hard figures, companies have laid out huge sums to locate in the world's most expensive city for what are basically intangible reasons. No employee of a foreign brokerage interviewed said his firm was looking for immediate return on its \$13.5 million.

As one analyst employed by a British firm that gained membership last month said: "Being on the TSE is like getting your bona fides." According to the analyst, membership makes it easier to gain entry into the offices of Japanese firm managers, and, in a country where graduates of elite universities are reluctant to seek employment with all but a few foreign companies, a seat on the exchange translates into an ability to attract competent staff.

But not all the benefits are abstract. Ed Merner, director of



Traders at the Tokyo Bourse.

Schroder Investment Management Japan, suggested that there is a niche that the foreign brokerages can fill.

"The smaller Japanese institutions have welcomed the foreign brokerages because the newcomers pay attention to them," he said.

In Tokyo, where four big Japanese houses wield tremendous influence on the market, smaller Japanese institutions have little clout. Although analysts predict that a number of foreign brokerages on the Tokyo exchange might not last out a long bear market, Mr. Merner stressed that the future for such firms is not necessarily bleak. Japanese institutions, including, perhaps, banks, will no doubt be willing to pay huge sums for a company with a seat on the Tokyo exchange.

Trust Banks Boost Profits

By Darryl Gibson

TOKYO — Land trusts are becoming one of the most attractive new investments in Japan for wealthy owners who lack the skills or expertise to develop their land themselves.

The trusts, in which one of the ten Japanese trust banks takes title to a property, arrange zoning, hire architects, contract bidders, find tenants and manage a new asset for a fee.

The basis of the trusts lies in Japanese land prices, and these are infinitely high.

In Tokyo — and most of the rest of the country — a square meter of land can be worth hundreds of thousands of dollars, but selling a asset, unless the proceeds are vested in new land within a year, subjects the owner to high taxes at reduce the final value of the net. Hence, the land trusts.

Because the value of even the most modern office building is unlikely to be worth more than 20 percent of the land value, the trust banks are willing to take the land trust for a fee — generally 10 percent of gross rents — and look after all development, construction and management from that day until the trust, generally for

20 years, expires and the assets revert to the trustor or beneficiary.

The banks also arrange financing in most cases, another long-term earner for the banks, and end up with their own profit as well as retaining income to the trustor or beneficiary, usually within two years of the trust's inception.

Chief Tanuma of the land trust department of Mitsui Trust and Banking said the bank handled more than \$200 million in land trust construction alone last year.

Because the landowner does not have to relinquish ultimate ownership of the asset, the market is growing by leaps and bounds, and small companies and individuals who lack the liquidity to improve their holdings on their own are embracing land trusts with alacrity, Mr. Tanuma said.

Although the inflation in land prices in Tokyo has eased for the moment, other parts of the country are still appreciating and land trusts are moving beyond the capital region into the outskirts as well.

A recent land trust in less-developed Kyushu incorporated a hot spring into a new development, breaking yet more new ground for the fledgling land trust industry.

Technically, the business is not limited to the seven Japanese trust banks — Mitsui Trust and Bank-

ing, Sumitomo Trust and Banking, Yasuda Trust and Banking, Toyo Trust and Banking, Chuo Trust and Banking, and Nippon Trust and Banking. But Mr. Tanuma said foreign trust banks lack expertise in Japanese trust and real estate ventures, severely limiting their participation.

There is no legal bar to foreign trust banks entering the land trust business in Japan.

But the same lack of expertise that keeps foreigners out of the Japanese land trust business precludes the Japanese trust banks going offshore with their product.

"We don't have the knowledge of foreign real estate that we would need, but more importantly, foreign land is often worth much less than the building on it, so the basic underlying value in land we have in Japan is not available abroad," he added.

But in Japan, where land in central Tokyo is worth astronomical sums, forming land trusts is becoming a viable way for individuals, small companies and even public entities who hold tracts of land to tap the potential of their solid assets.

DARRYL GIBSON reports for The Canadian Press from Tokyo.

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Tokyo has come a long way since then. Thanks to the strong yen and Japan's increasing internationalization, a plethora of information has become available.

Where to Stay

Tokyo's central business districts are well-served by the Imperial, Hotel Okura, the Tokyu Capitol Hotel (formerly the Tokyo Hilton), the New Otani, the Akasaka Prince and the Palace Hotel. The new Tokyo Hilton, Keio Plaza and Century Hyatt are preferred by visitors with business in the city's growing Shinjuku section. And for business travelers' families, the Sheraton Grande Tokyo Bay Hotel and the Tokyo Bay Hilton International, which opens in July, are close to the attractions of Tokyo's own Disneyland.

The Palace Hotel is only steps

BUSINESS TRAVEL GUIDE

JAPAN

away from the Ohtemachi subway station, a five-minute walk from Tokyo Staro and a ten-minute taxi ride to the Tokyo City Air Terminal. Set in the heart of Tokyo's central financial district, this tranquil oasis overlooks the grounds of the Imperial Palace and is given high marks by frequent travelers to Tokyo for com-

fort, security and service. Opened in 1960, it offers some 400 spacious rooms and suites, seven restaurants, three bars and a 20-store shopping arcade. Those in the know cite the hotel's summertime air-conditioning system as one of the best in the city.

Size-wise, the Palace is large enough to provide international

guests with everything from business breakfasts to breathtaking banquets, yet small enough to retain the personal touch. Which is why guests keep returning year after year.

The Imperial, Japan's first Western-style hotel, is getting ready to celebrate its centenary. Opened in 1890, it has been re-



built and enlarged three times, including the internationally renowned Frank Lloyd Wright Mayan-like version. In November 1967, the famed "Old Imperial" closed its doors for the last time and, in March 1970, the present Imperial made its debut.

With more than 1,100 rooms in all sizes including palatial suites, it is designed for either temporary or long-term guests. An office in the Imperial Tower has become one of the most prestigious business addresses in town, and in the fully equipped and staffed Executive Service Lounge guests can meet visitors, send telexes, get calling cards printed and enjoy the free use of word processors.

As part of its centenary celebration, the hotel plans to exhibit Imperial memorabilia. Former guests who can contribute to this exhibition are asked to contact Mitsumasa Endo, PR Manager, Imperial Hotel, 1-1 Uchisaiwai-cho 1-chome, Chiyoda-ku, Tokyo 100. Telephone: (03)504-1111. Fax: (03) 504-1474.

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Corledge International, a professional meeting and special events planning company, handles everything from language, hotel, tour, transportation and public relations to audiovisual and simultaneous translation equipment.

Into Japan services include client and/or investor searches, appointment scheduling, feasibility studies and an orientation package, including practical language training.

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Xebcon International Business Centres offer businesses or individuals a turn-key base of operations in close proximity to the Tokyo Stock Exchange and major securities firms. Its facilities and services are available by the day, week, month and year.

Getting Around

The Japan National Tourist Organization (JNTO) is another helpful name to remember. Its Japan Convention Bureau is an excellent information source and its Tourist Information Centers (TIC) in Tokyo, Kyoto or at Narita International Airport provide a toll-free nationwide telephone service for those in need of English-language assistance. Inside Tokyo and Kyoto, call the local TIC office. Outside Tokyo

week's English-language view of the Japanese economy, published by the Nihon Keizai Shimbun, Japan's equivalent of the Wall Street Journal. Its pages are compiled by Japan's largest and most authoritative economic news publishing group, printed in Tokyo, New York and San Francisco, and jetted worldwide.

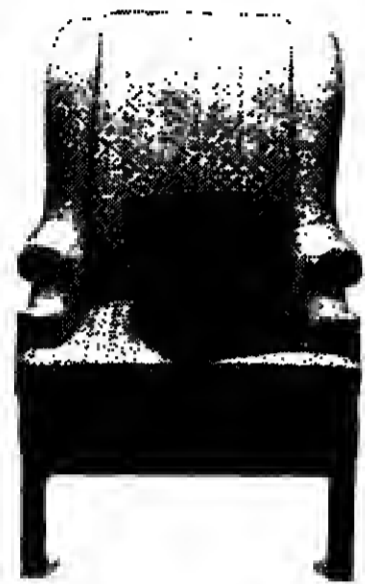
The Japan Bond Research Institute, a subsidiary of the publishing group, offers a weekly Tokyo Financial Letter. With in-depth coverage and analysis of Japanese financial developments, it is printed simultaneously in Tokyo and New York on Monday. *Nihon Keizai Shimbun News & Research*, an English-language information service, provides international computer access to Japan's most comprehensive business and economic database, including stock and bond quotations, foreign exchange and short-term market rates, financial data on the companies listed on the Tokyo Stock Exchange, and news from the *Nihon Keizai Shimbun Japan Economic Journal and JETRO Times*.

Tokyo Business Today and Business Tokyo are helpful monthly publications for international business people. Their aim may have a local ring to them, but Tokyo is the nerve center of country and synonymous with pan-Asian and international business. *PHIP Interest* and *Tokyo Journal* are helpful monthlies, give a more general focus. *Working Living* is specifically oriented helping newcomers with language, and employment

Among the numerous books available at most hotel newsstands and bookstores are: *Set Up Enterprises in Japan*, compiled by the Bank of Tokyo and published by JETRO; *How to Do Business with the Japanese* by Herbert F. Jung (former president Bayer Japan), published by The Japan Times, Ltd.; *Japanese International Business* by K. Butler; and *Doing Business in Japan* by H. William Tanaka and Nobuyuki Takashima, published by Business Books International.

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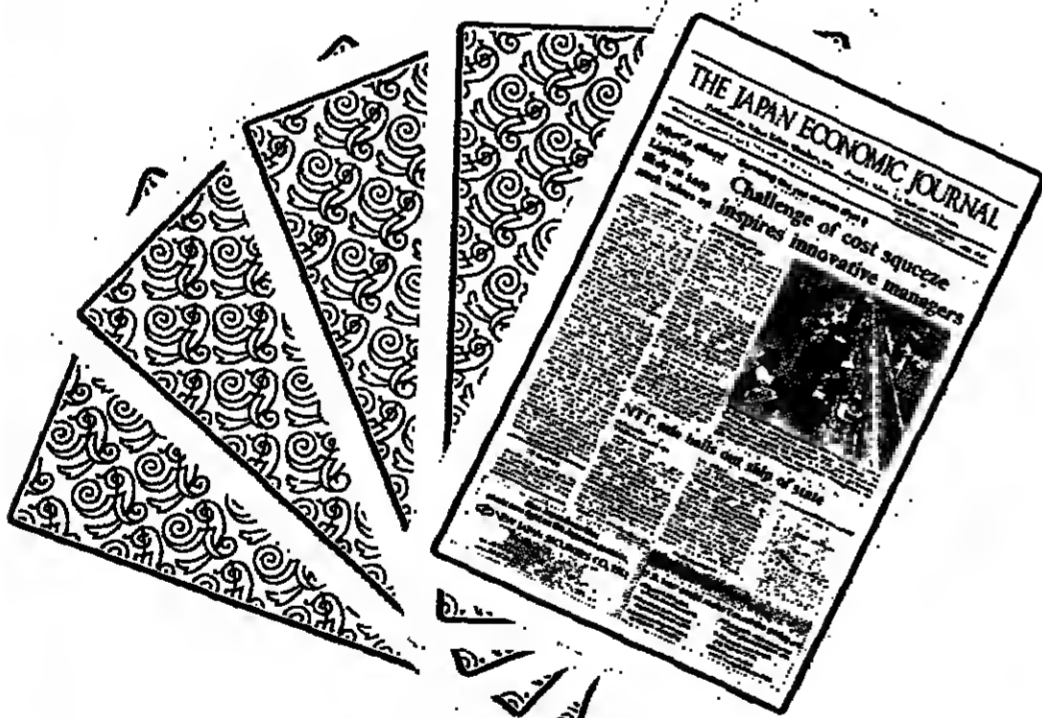
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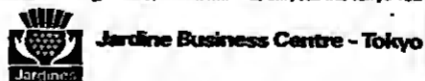
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EUROBONDS

Bubbling Dollar's Effects to Reach Euromarket

By CARL GEWIRTZ

PARIS — Is it a speculative bubble, or has the dollar definitively turned around? The exuberance in the foreign exchange market last week — pushing the dollar beyond 130 yen and 1.80 Deutsche marks, critical points...

For the United States, the developments in foreign exchange are quite welcome. The dollar buying last week attributed to a quarter-point rise in long-term U.S. interest rates...

The notable aspect of the German experience is that while the dollar has been strong against the mark, it has been weak against the currencies of countries in which interest rates are high...

THE NOTABLE aspect of the German experience is that while the dollar has been strong against the mark, it has been weak against the currencies of countries in which interest rates are high, such as the British pound and the Australian dollar...

See BONDS, Page 17

Herald Tribune BUSINESS / FINANCE

For Mitsubishi Heavy, an Arms Bonanza in Japan

Reuters

TOKYO — Stocks of missiles, tanks, jet fighters and other weapons in Japan's military arsenal are growing faster than at any time since World War II...



T-74 tanks, made by Mitsubishi, on display at an annual military parade.

But because the FSX is a modification of the F-16, a plane designed by General Dynamics Corp. of the United States...

Japan's total spending on weapons in the year ended March 31 rose nearly 7 percent from the year before to about 1.23 trillion yen...

He said Mitsubishi hopes to win contracts for 60 to 70 percent of the FSX work awarded to Japan.

Mr. Yamada said Japan's Defense Agency would buy 130 of the fighter jets for about 5 billion yen each. It would cost 160 billion yen to develop the FSX...

Japan has the technological skill to build a fighter similar to the FSX. But because the FSX is a modification of the F-16...

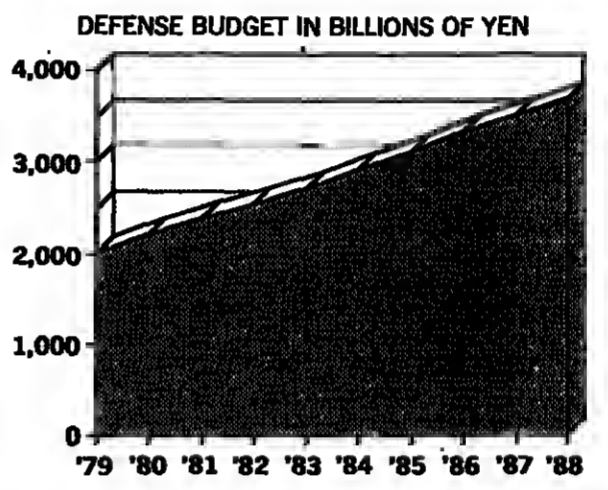
However, in technology aimed at providing a space-based missile defense system, officially known as the Strategic Defense Initiative and popularly known as "star wars"...

Mr. Yamada said such calls were natural, especially because American warships patrolling the Gulf were likely to increase the U.S. defense bill.

Mr. Yamada's most pressing weapons concern is a joint U.S.-Japanese project to design and build a new jet fighter, codenamed FSX, by 1993.

He said Mitsubishi hopes to win contracts for 60 to 70 percent of the FSX work awarded to Japan.

Mr. Yamada said Japan's Defense Agency would buy 130 of the fighter jets for about 5 billion yen each. It would cost 160 billion yen to develop the FSX...



project. It may not start in 1988 and might not even start in 1989," said Mr. Yamada. Boeing would be reluctant to develop the YXX while similar planes it makes, the 737 and 757, are on the market...

Farm 'Subsidy Wars' Provoke a Trading Crisis

By Clyde H. Farnsworth

WASHINGTON — Thanks to political influence that far exceeds their waning numbers, farmers in the industrial countries receive more than \$200 billion a year in subsidies...

that it may escalate the "subsidy wars" if the Europeans do not comply.

Farm subsidies, which over time have come to resemble both a perpetual motion machine and an absurdly complex Rubik Goldberg contrivance...

The drought that is scaring the American farm belt has taken some of the edge off the problem of surpluses by damaging prospects for 1988 harvests and promising to raise American grain and soybean prices above prevailing world levels...

Japan, whose part-time farmers are considered among the most inefficient in the world...

produces all the rice it needs by restricting imports and charging consumers 10 times the world price, thereby stimulating production.

Because of import levies and high prices, the European Community is one of the world's leading sugar exporters, to the dismay of the Philippines and Caribbean countries that are dependent on sugar...

See FARM, Page 17

Central Bank For EC Appears To Be Blocked

By Ferdinand Protzman

FRANKFURT — West German and British opposition to the rapid creation of a European central bank and currency union is likely to win out at the European Community's semiannual summit meeting that starts Monday...

The summit leaders will agree to establish a commission to study the idea. West German government sources said, but added that there will be no mandate for actually setting up a European central bank...

Under Mrs. Thatcher, Britain has strongly resisted calls for a European central bank.

The summit meeting, in Hannover, will conclude West Germany's six-month tenure in the EC presidency. Greece will assume the presidency on July 1.

The summit is not expected to produce any unexpected agreements on the variety of social and economic issues before the EC as it prepares for the opening of a single borderless market in 1992.

Prime Minister Margaret Thatcher of Britain has been even more outspoken in her opposition to a European central bank, saying that even studying the idea is not worthwhile.

Bonn Backing Delors for a 2d Term at EC

BONN — West Germany is backing France's Jacques Delors for another term as European Commission president, but expects its candidate to be next to hold the job...

Currency Rates

Table showing currency rates for various currencies as of June 26, 1988. Columns include currency, rate, and percentage change.

Last Week's Markets

Table showing market data for various currencies and indices from June 24 to June 27, 1988.

Top Official Expected to Leave GM

By John Holusha

DETROIT — Elmer W. Johnson, a Chicago lawyer who became an executive vice president of General Motors Corp., is expected to resign Monday...

Those familiar with the situation said Mr. Johnson, 56, was disappointed that his chances had diminished of being named chairman when Roger B. Smith retires in 1990...

Mr. Johnson, who has been with GM only since 1983, is the second high-ranking outsider to leave the company in the last year...

GM, which declined to comment on the situation, said its board would meet Monday.

GM's senior management considered Mr. Johnson dangerous, one industry analyst said, because he bypassed the seniority system in making appointments...

Advertisement for Ferrier Lullin & Cie SA, a Geneva-based bank established in 1795. The ad includes a vertical logo and a table of Key Data showing financial performance from 1986 to 1987.

Advertisement for Hotel Okura in Tokyo, Japan. The ad features a photograph of the hotel and text describing it as a world headquarters for many of the world's top businessmen.

Vertical advertisement on the left side of the page, partially obscured and difficult to read.

Weekly International Bond Prices

Provided by Credit Suisse First Boston Securities, London, Tel.: 01 323 11 30
Prices may vary according to market conditions and other factors.

June 23

Dollar Straights

Table listing bond prices for various countries including Australia, Canada, France, Germany, Italy, Japan, and the UK. Columns include Issuer, Con, Mat, Price, Yld, and Trv.

United Kingdom

Table listing UK bond prices for various issuers like Barclays, BNP Paribas, and others. Columns include Issuer, Con, Mat, Price, Yld, and Trv.

United States

Table listing US bond prices for various issuers like A.T. & T., Amstar, and others. Columns include Issuer, Con, Mat, Price, Yld, and Trv.

Supranational

Table listing supranational bond prices for various issuers like Council of Europe, ECSC, and others. Columns include Issuer, Con, Mat, Price, Yld, and Trv.

Japan

Table listing Japanese bond prices for various issuers like Ministry of Finance, etc. Columns include Issuer, Con, Mat, Price, Yld, and Trv.

Scandinavia

Table listing Scandinavian bond prices for various issuers like Denmark, Norway, and Sweden. Columns include Issuer, Con, Mat, Price, Yld, and Trv.

Non-European

Table listing non-European bond prices for various issuers like Canada, Australia, and others. Columns include Issuer, Con, Mat, Price, Yld, and Trv.

DM Zero Coupons

Table listing DM zero coupon bond prices for various issuers like Allianz, etc. Columns include Issuer, Con, Mat, Price, Yld, and Trv.

Dollar Zero Coupons

Table listing dollar zero coupon bond prices for various issuers like A.D.B., etc. Columns include Issuer, Con, Mat, Price, Yld, and Trv.

DM Straights

Table listing DM straight bond prices for various issuers like Amro Bank, etc. Columns include Issuer, Con, Mat, Price, Yld, and Trv.

Yen Straights

Table listing yen straight bond prices for various issuers like A.I.D.C., etc. Columns include Issuer, Con, Mat, Price, Yld, and Trv.

DM Zero Coupons

Table listing DM zero coupon bond prices for various issuers like Allianz, etc. Columns include Issuer, Con, Mat, Price, Yld, and Trv.

Western Europe (Other)

Table listing Western European bond prices for various issuers like Austria, etc. Columns include Issuer, Con, Mat, Price, Yld, and Trv.

Dollar Zero Coupons

Table listing dollar zero coupon bond prices for various issuers like A.D.B., etc. Columns include Issuer, Con, Mat, Price, Yld, and Trv.

DM Straights

Table listing DM straight bond prices for various issuers like Amro Bank, etc. Columns include Issuer, Con, Mat, Price, Yld, and Trv.

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Euromarts At a Glance
Eurobond Yields
ECU Straights
Weekly Sales
Libor Rates
WestLB
Fixed Income and Equities Trading - for dealing prices call:
Düsseldorf, London, Luxembourg, Hong Kong

New International Bond Issues

Compiled by Laurence Deville

Table with columns: Issuer, Amount (millions), Mat., Coup. %, Price, and Terms. Lists various international bond issues from entities like American Express, IBM, and various governments.

BONDS: Dollar Advance Not Yet Felt in Euromarket

On the dollar, said Richard... The appreciation could ignite a storm of disapproval from industry... German industry is less affected...

The Perpetuals Return, This Time in Name Only

By Carl Gewirtz International Herald Tribune

PARIS — In the beginning, there were perpetuals: floating rate notes which, by definition, never mature and therefore never get repaid.

The trust is funded by a portion of the proceeds raised by the issuer. The money is then invested in zero-coupon U.S. Treasury bonds, whose cash value after 15 years is sufficient to redeem the entire nominal amount of the perpetuals.

Saudis Begin Second Bond Offering

MANAMA, Bahrain — Saudi Arabia has asked banks to bid for a second offer of 1.5 billion riyals (\$400 million) of government bonds, the second stage in the kingdom's return to the capital markets after a 25-year absence.

estimated 900 million to 1 billion riyals of bonds was taken by banks. Some sources estimated the kingdom will try to raise about 30 billion riyals through bond offerings this year, but it is unclear whether demand will meet that target.

FARM: 'Subsidy Wars' Are Provoking a Crisis in Trade Among the Western Allies

(Continued from first finance page) world's largest food importer; today it rivals the United States as an exporter. The United States also plays the game, directly and indirectly. Take the subsidized water that makes California's vegetables competitive with imports.

Washington subsidizes American farmers directly, while the Europeans protect farmers by setting food prices that are higher than those of the world market. When the food is exported, farmers are reimbursed the difference between the lower world price and the higher domestic price from levies imposed on imports.

DOLLAR: Pent-Up Japanese Demand Expected to Fuel Currency's Rise

(Continued from page 1) concerted support for the dollar became apparent, they have remained erratic so far this year. In the fiscal year that ended March 31, Japanese life insurance companies, which are among the largest buyers of U.S. debt instruments, showed an exchange-rate deficit of 1.3 trillion yen (\$10 billion), chiefly due to purchases in the U.S. credit markets.

PACIFIC BASIN FUND 10A, Boulevard Royal, Luxembourg. NOTICE TO SHAREHOLDERS. Further to the decision of the Board of Directors taken on February 26 to liquidate the Fund...

Treasury Bonds table with columns: Maturity, Bid, Ask, Yield, and Price. Lists various Treasury bond offerings.

U.S. Consumer Rates table with columns: Rate, Index, and Source. Lists various consumer rates and indices.



STOCKS IN RE...

NASDAQ National Market

OTC Consolidated trading for week ended Friday, June 24

Symbol	100s	High	Low	Close	Chge	Net
AAW	100	100	100	100	0	0
AAE	100	100	100	100	0	0
AAI	100	100	100	100	0	0
AAJ	100	100	100	100	0	0
AAK	100	100	100	100	0	0
AAAL	100	100	100	100	0	0
AAALC	100	100	100	100	0	0
AAALCH	100	100	100	100	0	0
AAALN	100	100	100	100	0	0
AAALP	100	100	100	100	0	0
AAALQ	100	100	100	100	0	0
AAALR	100	100	100	100	0	0
AAALS	100	100	100	100	0	0
AAALT	100	100	100	100	0	0
AAALU	100	100	100	100	0	0
AAALV	100	100	100	100	0	0
AAALW	100	100	100	100	0	0
AAALX	100	100	100	100	0	0
AAALY	100	100	100	100	0	0
AAALZ	100	100	100	100	0	0
AAAMA	100	100	100	100	0	0
AAAMC	100	100	100	100	0	0
AAAMD	100	100	100	100	0	0
AAAME	100	100	100	100	0	0
AAAMF	100	100	100	100	0	0
AAAMG	100	100	100	100	0	0
AAAMH	100	100	100	100	0	0
AAAMI	100	100	100	100	0	0
AAAMJ	100	100	100	100	0	0
AAAMK	100	100	100	100	0	0
AAAML	100	100	100	100	0	0
AAAMM	100	100	100	100	0	0
AAAMN	100	100	100	100	0	0
AAAMO	100	100	100	100	0	0
AAAMP	100	100	100	100	0	0
AAAMQ	100	100	100	100	0	0
AAAMR	100	100	100	100	0	0
AAAMS	100	100	100	100	0	0
AAAMT	100	100	100	100	0	0
AAAMU	100	100	100	100	0	0
AAAMV	100	100	100	100	0	0
AAAMW	100	100	100	100	0	0
AAAMX	100	100	100	100	0	0
AAAMY	100	100	100	100	0	0
AAAMZ	100	100	100	100	0	0
AAANA	100	100	100	100	0	0
AAANC	100	100	100	100	0	0
AAAND	100	100	100	100	0	0
AAANE	100	100	100	100	0	0
AAANF	100	100	100	100	0	0
AAANG	100	100	100	100	0	0
AAANH	100	100	100	100	0	0
AAANI	100	100	100	100	0	0
AAANJ	100	100	100	100	0	0
AAANK	100	100	100	100	0	0
AAANL	100	100	100	100	0	0
AAANN	100	100	100	100	0	0
AAANO	100	100	100	100	0	0
AAANP	100	100	100	100	0	0
AAANQ	100	100	100	100	0	0
AAANR	100	100	100	100	0	0
AAANS	100	100	100	100	0	0
AAANT	100	100	100	100	0	0
AAANU	100	100	100	100	0	0
AAANV	100	100	100	100	0	0
AAANW	100	100	100	100	0	0
AAANX	100	100	100	100	0	0
AAANY	100	100	100	100	0	0
AAANZ	100	100	100	100	0	0
AAAOA	100	100	100	100	0	0
AAAOB	100	100	100	100	0	0
AAAOE	100	100	100	100	0	0
AAAOI	100	100	100	100	0	0
AAAOJ	100	100	100	100	0	0
AAAOK	100	100	100	100	0	0
AAAOA	100	100	100	100	0	0
AAAOB	100	100	100	100	0	0
AAAOE	100	100	100	100	0	0
AAAOI	100	100	100	100	0	0
AAAOJ	100	100	100	100	0	0
AAAOK	100	100	100	100	0	0

Handwritten text: 10/10/88

(Continued on next page)

WORLD STOCKS IN REVIEW / Via Agence France-Press

Amsterdam

Market rose strongly, with a CBS general index closed at 1,494.9, against 1,472.6.

London

Market began the week in a mood due to inflation confidence returned as fears of interest rates abated.

Paris

The market advanced solidly in higher volume, the Comit index closing the week at 511.06 against 488.29 for the previous week.

Hong Kong

Hang Seng index dropped into the red on the week to close at 7,707.56, after gaining 70 points to a post-close high of 7,777.56.

London

Market rose modestly but then dropped Friday in a bid of the interest-rate index.

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The Straits Times Industrial Index hit a record for the year of 1,083.44 points Thursday, but slipped marginally Friday to close the week at 1,082.69, 14.49 points above the previous Friday's close.

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Prices plunged on the Tokyo Stock Exchange last week amid mounting fears of inflation stemming from the dollar's sharp rise against the yen.

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Accord Aims to Clear Way For Spanish Bank Merger

MADRID — Spain's Banco Central SA has moved to resolve a dispute with its largest shareholder, Cartera Central, over the bank's merger with Banco Español de Crédito.

New Primary Dealers Enter Crowded Field

NEW YORK — The three new primary dealers of U.S. government securities have entered a crowded club and are hoping to stake claims in a business that, according to some observers, has not been growing.

Payless Managers Offer a Buyout

NEW YORK — Executives of a leading do-it-yourself store chain, Payless Cashways Inc., offered Friday to buy the company for \$26 a share, or \$875 million in cash.

Piedmont Officials Shift to Braniff

DALLAS — The investor group that is taking over Braniff Inc. has appointed five top executives who resigned from Piedmont Aviation Inc. last week to run Braniff, a Dallas-based airline.

Wall Street Review

Table with columns for NYSE Most Actives, AMEX Most Actives, NYSE Sales, AMEX Sales, NYSE Diaries, and AMEX Diaries. Includes sub-tables for Total for week, Two years ago, and 1987 to date.

American Exchange Options

Table of American Exchange Options with columns for Option & price, Calls, Puts, and various stock symbols.

Chicago Exchange Options

Table of Chicago Exchange Options with columns for Option & price, Calls, Puts, and various stock symbols.

ASDAQ National Market

OTC Consolidated trading for week ended Friday.

Large table of ASDAQ National Market data with columns for Sales in 100s, High, Low, Close, and Net Change. Includes sub-sections for A, B, C, D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, S, T, U, V, W, X, Y, Z.

MONDAY SPORTS

The Spinks Fight Strategy: Keeping Tyson Out of Sync

By Phil Berger
New York Times Service
ATLANTIC CITY, New Jersey — Last fall, the trainer George Benton described an unusual move he had shown a fighter of his, Tyson Spinks, to keep Biggs from being cornered by the heavyweight champion, Mike Tyson.

The key, as Benton saw it, was for Biggs to keep out of the corners of the ring and off the ropes, where Tyson could dig in his heels and unleash his powerful punches.

For those occasions when Tyson did close in on Biggs, Benton had an unorthodox way for his fighter to regain space. Benton instructed Biggs to lower his head and, like a linebacker in football, drive his shoulders into Tyson's chest, stunning the champion just enough so that Biggs could carry out his stick-and-move fight plan.

Benton even had calculated the referee's reaction to the questionable tactic. He instructed Biggs not to try to punch Tyson after the trainer's belief was that if his fighter did not gain a clear advantage with the roughhouse tactic, the referee would allow it.

But the best-laid plans for Biggs were ruined by the consuming rage and aggression of Tyson, who knocked Biggs out in seven rounds in October. Not once was Biggs able to attempt the maneuver that Benton had shown him. It was all he could do to avoid punches flying from all angles.

Monday night, another fighter and another trainer will try their plan for defusing the dangerous punches of Tyson. While the particulars of the strategy designed by the trainer, Eddie Futch, for Michael Spinks may vary somewhat from what was intended for Biggs, the broad strokes will be much the same.

Tyson, like a mathematical constant, brings no mysteries to the 12-round heavyweight title bout here. He is what he is: a warrior, steadily advancing.

"I don't change for anybody," Tyson said. "They change for me."

"Michael Spinks is going to have to box him, box him, box him," Futch said. "He must frustrate him: make him make mistakes and take advantage. Mike Tyson's been known to become frustrated."

The question is, does the 31-year-old Spinks, who is undefeated

in 31 fights with 21 of those victories by knockout, have the tools not only to confound Tyson, but to beat him? While there have been opponents who bothered the 21-year-old Tyson with excessive clinching — James (Bonecrusher) Smith, for example, who lasted 12 rounds that way — those foes fought only to survive the distance.

But Smith showed that Tyson, who is undefeated in 34 fights, with 30 knockouts, could be drawn into a fight where his overwhelming force was stymied.

When Smith wrapped his long arms around Tyson every time Tyson sprang forward with wide-arc punches, it unnerved the champion, and Tyson resorted to foul tactics, like hitting with the forearms and after the bell.

One question for the fight Monday is whether the turmoil in Tyson's domestic and business lives will make him more susceptible to being frustrated by a clever boxer like Spinks or turn him into more of a tiger.

While Spinks may do his share of holding, to beat Tyson he eventually will have to discourage the cham-

tion with firepower, enough at least to persuade the judges that ring mastery counts as much as Tyson's forward-march aggression.

Spinks's job will be a factor. In defeating Gerry Cooney in his last fight in June 1987, Spinks used the job to break up Cooney's rhythm.

"The book on Cooney was don't let him corner you," Futch said. "Stay off the ropes and out of corners. Cooney had terrific leverage when he had a target he could hit."

The same cautions apply for Tyson. Spinks, like Biggs, will be warned off the ropes and out of the corners. And while Biggs had more agility, Spinks may end up doing better because of his shrewdness.

No active heavyweight has proven a better improviser than Spinks. Time and again, he has shown the ability to change his tactics to suit his opponent. As a light heavyweight, he was often a dangerous puncher, using a right-hand blow called the "Spinks jim" or a left uppercut to finish opponents.

Against a fighter like Tyson, who disregards consequences when he charges forward, Spinks's uppercut could be a crucial punch.



Mike Tyson, right, sizing up Michael Spinks, left, as the heavyweight rivals met at the weigh-in.

Shortened NBA Draft Foretells Waning of Summer Leagues

By Sam Goldaper
New York Times Service
NEW YORK — Wayne Embry called the Tuesday's National Basketball Association college draft a trip into uncharted waters.

Several other general managers and an owner agreed with the Cleveland Cavaliers' general manager. The draft, reduced from seven to three rounds this year and to two rounds thereafter by the recent agreement between the league and the players' union, will have an effect not only on the way teams scout talent but also on free-agent and rookie camps and summer leagues.

The Phoenix Suns have already dropped out of the Pacific Northwest Summer League, in which they competed with the Portland Trailblazers, Seattle Seahawks and Golden State Warriors, and will not conduct summer minicamps for either rookies or free agents.

"We will have five picks, two

firsts and three seconds, in the draft," said Jerry Colangelo, the longtime Suns general manager, who headed a group that recently purchased the franchise.

"We're going to go a different route this time. We feel we can accomplish the same things by working with our young players on an individual basis."

The New York Knicks have a free agent camp scheduled for July 18, and will join the New Jersey Nets, Washington Bullets and Philadelphia 76ers in competing in the Princeton Summer League. Then they will send a team to the California Pro League.

But this will probably be the Knicks' last year in the summer leagues, according to Al Bianchi, the general manager.

"I don't foresee us doing it again," Bianchi said. "Somebody started this summer programs and everybody followed because of the fear that their owners would

think they were not doing their job if they didn't have a camp. Everybody needs some time off: the players, the coaches, everybody."

"In the future we'll bring in some players in September, and those we think have a shot at making our team we'll bring to regular camp. September is basketball weather, not July and August. Wait and see how many fewer stress fractures there will be when players get some time off."

With the Cavaliers having only two picks, a first and a third, Embry is concerned about fielding a team for a July 21-24 camp. Cleveland is scheduled to play host to the Chicago Bulls, Detroit Pistons and Indiana Pacers.

"It's something new that has come upon us," said Embry, "and until we get through one of these drafts, we won't know. Basically, what it comes to now is that there are 75 players out there and we have to figure out which of them

will help us most. After that, we're all in the same boat, scrambling to get free agents to come to our camps."

Donnie Walsh, the Pacers' general manager, agrees that the summer programs will be phased out but he is less concerned by the change.

"I think there is a lot of overreaction because it's the first time we're faced by a three-round draft," Walsh said. "I think it will benefit both sides."

"The scouting will change in that teams will now be able to concentrate more on the top 100 players. We no longer can make a mistake with the players we draft, especially those teams in the smaller markets."

How good is the draft, which will be held at Madison Square Garden's Felt Forum?

General managers and scouts were more optimistic after the Orlando Classic in April than they

were after watching the talent perform recently in Chicago.

"I think this year's draft is deeper than the last one at the forward and big-guard positions," said Bucky Backwater, Portland's director of player operations.

"The team picking 18 or 19 may get as good a player as those selecting nine or 10," said Gary Fitzsimmons, Cleveland's director of player personnel.

It is certain, however, that the draft figures to lack suspense. Elgin Baylor, the Los Angeles Clippers' general manager, announced right after winning the lottery that he would use the first pick to take 6-foot-10 (2.08-meter) Danny Manning of Kansas.

Most scouts say the other standouts among the big men are Rik Smits of Marist, 7-foot-4; Charles Smith of Pittsburgh, 6-foot-10; Tim Perry of Temple, 6-9; Rony Seikaly of Syracuse, 6-11; and Chris Morris of Auburn, 6-8.

SIDELINES

Faldo Wins French Open With Eagle

CHANTILLY, France (AP) — Nick Faldo of Britain matched victory in the French Open Sunday, making a 10-metre (33-foot) putt on the five final hole for an eagle to seal his triumph.

It was Faldo's first title since his British Open victory last July. He had a two-under-par 68 in the last round to finish the French Open with a score under 274. It was his 16th title on the European tour but his first tournament victory this year, after four runner-up finishes.

Denis Durnan of Britain, who had two strokes with two holes to play, fired a 74 for a total 276, sharing second place with Wayne Riley of Australia, who shot 76 for the day. Ossie Moore of Australia, with a 69 and David Feherty of Ireland, with 70, tied for fourth at 278.

Nelson Keeps 4-Shot Lead in U.S. Golf

MARLIETTA, Georgia (AP) — Larry Nelson shot a six-under-par 66 on Sunday to retain a four-shot lead, with a 193 total, after three rounds of the Atlanta Golf Classic.

Nelson, the defending Professional Golfers Association champion, has led from the start and his total is one shot off the PGA Tour under par record for 54 holes. Paul Azinger, who shot a third-round 66, was second at 199.

Bobby Watkins, who had shared the second-place slot with Azinger and Chip Beck after the second round, was third with a 68-201. Lee Rinker was fourth with a 67-202, and three golfers were eight back at 210: Dave Kummetz, who shot a 67; Scott Hoch with a 68 and Beck with a 70.

A Half-Interest in Risen Star Is Sold

LEXINGTON, Kentucky (AP) — A half-interest in the breeding rights to Risen Star, winner of the Preakness and Belmont Stakes, was sold for \$7.7 million to Walmac International Farms, it was announced Friday. The son of Secretariat is scheduled to race only twice more before retiring to stud at the Walmac farm here.

Louis Rousseeu, 34, co-owner of Risen Star with Ronnie Lamarque, said the syndication agreement called for the 3-year-old colt to retire from racing at the end of the year.

John T.L. Jones Jr. and Red McCombs, co-owners of Walmac International, said they expected to have both European and American interests represented in the syndication. The agreement calls for Rousseeu and Lamarque to continue to direct Risen Star's racing career. To keep all the money he wins and to retain half the breeding rights in the horse, or 20 percent of the 40 shares in the syndicate.

Hungarian Killed in Formula 3 Crash

NUREMBERG (AP) — Csaba Kesjar of Hungary was killed Friday when he lost control of his Formula 3 Dallara-VW car and crashed into a barrier at the Norzing circuit.

Kesjar, 26, was trying to overtake Stefan Neuburger of West Germany during the final practice run for a Formula 3 race. The Hungarian's car was demolished and he was killed instantly.

For the Record

Argentina beat France, 18-6, in a rugby test match on Saturday. Buenos Aires. All the scoring was by penalty goals. The French won their other test match, 18-15, on June 18.

Arizona's Nolan Henke of Glendale staged Lane Staves, his American challenger, early in the ninth round Saturday to defend his World Boxing Council super featherweight championship in Atlantic City, New Jersey.

Cressler '88 of Britalia, skippered by Eddie Warden Owen, captured the first midwinter race over in major yachting competition early Saturday in the World 12-meter Yachting Championships off Lulea, Sweden.

Dennis Comner's Nordstern placed third, 1:47.

Residents of Lausanne, Switzerland, on Sunday voted against bid to host the 1994 Olympic Winter Games, reducing the number of official candidates for the 1994 winter games to four: Anchorage, Alaska; Ostersund, Sweden; Lillehammer, Norway; and Sofia.

- ACROSS
- Rumanian dance
 - Platter
 - Basilica feature
 - Reduct
 - To join, to Jeanne
 - Dribble
 - Pride of Kilgore, Tex.
 - Puccini heroine
 - Manumit
 - Marble of tennis fame
 - Suffix for south
 - Alternate
 - Indian weight
 - Shirt insert
 - Gorki loc.
 - Partner of true
 - Proportion: Abbr.
 - Bread
 - Deduce
 - "Didn't Say Yes"
 - Lassitude
 - Dijon daughter
 - Top ad spot: Abbr.
 - Adjective for purple
 - Charge
 - Trains
 - Cockney's Gehenna
 - Saskatchewan capital
 - West German river
 - Orchid meal
 - Eldritch
 - Skin
 - Unreachable
 - Prod
 - Somersault
 - Tors
 - Ginger or root follower
 - Kind of card
 - Irish Gaelic
- DOWN
- Part of H.M.C.S.
 - Persian name
 - Director of Clair
 - Northumbrian settler
 - Clubman's costs
 - Among schools
 - 7 Pose
 - Design
 - Ticket word
 - Salesman's concern
 - Suffix for tooth
 - Upon: Prefix
 - 14 Cervine creature
 - 18 Resounded
 - 22 Closer to the end
 - 25 Bony
 - 51 Saskatchewan capital
 - 27 Brittle
 - 28 Banks of baseball
 - 28 Where shots are heard
 - 30 Opposite of downdraft
 - 32 Customary
 - 33 Moonshiner's need
 - 35 Grig, e.g.
 - 35 Coat with flour
 - 39 Follower of 9 Down
 - 48 Gyp
 - 49 Villein
 - 52 Church V.I.P.
 - 54 Actor Singer
 - 55 Springe
 - 56 Father
 - 58 Small shark
 - 59 Growl
 - 60 Fabergé jeweled them
 - 61 Annoy
 - 63 Gums
 - 64 Tailman follower

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WEATHER

EUROPE		ASIA		NORTH AMERICA	
HIGH	LOW	HIGH	LOW	HIGH	LOW
Algeria 21	15	Beijing 21	15	Anchorage 10	5
Austria 14	8	Bombay 28	22	Atlanta 26	21
Berlin 14	8	Calcutta 28	22	Boston 26	21
Bombay 28	22	Chennai 28	22	Chicago 26	21
Buenos Aires 21	15	Delhi 28	22	Cincinnati 26	21
Calcutta 28	22	Guwahati 28	22	Cleveland 26	21
Chennai 28	22	Hanoi 28	22	Dallas 26	21
Delhi 28	22	Kolkata 28	22	Denver 26	21
Dhaka 28	22	Madras 28	22	Detroit 26	21
Dubai 28	22	Mumbai 28	22	Houston 26	21
Hanoi 28	22	Patna 28	22	Los Angeles 26	21
Kolkata 28	22	Rangoon 28	22	Las Vegas 26	21
Madras 28	22	Singapore 28	22	Memphis 26	21
Mumbai 28	22	Taipei 28	22	Minneapolis 26	21
Patna 28	22	Tokyo 28	22	New York 26	21
Rangoon 28	22			Phoenix 26	21
Singapore 28	22			Portland 26	21
Taipei 28	22			San Francisco 26	21
Tokyo 28	22			Seattle 26	21
				St. Louis 26	21
				Tampa 26	21
				Washington 26	21
				Wichita 26	21

AFRICA: Johannesburg 26, 21; Cape Town 26, 21; Durban 26, 21; Harare 26, 21; Lagos 26, 21; Nairobi 26, 21; Pretoria 26, 21; Windhoek 26, 21.

LATIN AMERICA: Lima 26, 21; Bogota 26, 21; Havana 26, 21; Mexico City 26, 21; Quito 26, 21; Santiago 26, 21; Caracas 26, 21; Lima 26, 21; Bogota 26, 21; Havana 26, 21; Mexico City 26, 21; Quito 26, 21; Santiago 26, 21; Caracas 26, 21.

MONDAY'S FORECAST — CHANNEL: Light. FRANKFURT: Overcast. TEMPE: 26-18. LOS ANGELES: Partly cloudy. PHOENIX: Partly cloudy. PORTLAND: Partly cloudy. SAN FRANCISCO: Partly cloudy. SEATTLE: Partly cloudy. TAMPA: Partly cloudy. WASHINGTON: Partly cloudy. WICHITA: Partly cloudy.

DENNIS THE MENACE

JUMBLE

Unscramble these four Jumble words to see how many you can form from ordinary words.

TURSY
SENWY
BINBBO
YORPET

Print answer here: _____

Answers: TURKEY, SENNAPSE, BINBRO, YORPET.

Solution to Friday's Puzzle

SAVES	ASTOR
PANAMA	STEREO
CAPITOL	PANDORA
ALL	STIPEND
PAM	EVANS
PAUL	EVANS
ETNAS	ALS
BANGS	LENA
REGULATE	MISSES
NOE	ALLS
ERODED	ANALOGUE
LAVES	LIT
YEANS	OVER
HOMES	DIBS
PER	MISSALS
NAE	ENAMELS
TOILERS	STATUE
ESTERS	EDAMS
RHEAS	

PEANUTS

BLONDIE

BEEBLE BAILEY

DOONESBURY

ANDY CAPP

WIZARD of ID

REX MORGAN

GARFIELD

ANDY CAPP

WIZARD of ID

REX MORGAN

GARFIELD

MONDAY SPORTS

Pirates Nip Expos in 10th Inning for Series Sweep



Nelson Santovenia, the Expos' catcher, and the Pirates' Barry Bonds try to round up a misplaced ball.

SUNDAY BASEBALL

The Associated Press
MONTREAL — Sid Bream's sacrifice fly and Mike Lavalliere's two-run double fueled a three-run 10th inning that enabled the Pittsburgh Pirates to defeat the Montreal Expos, 3-0, here on Sunday and complete a four-game sweep.

Blue Jays 4, Tigers 1: In Toronto, Mike Flanagan earned the 150th victory of his career and Jesse Barfield hit a solo homer to jump the Jays.

Yankees 4, Indians 3: In New York, Clarendon Washington's fourth hit of the game, a two-out single in the ninth, scored pinch-runner Ricky Henderson from third as the Yankees nipped Cleveland.

Red Sox 10, Orioles 3: In Boston, Jim Rice pitched a tie with a two-run single during a seven-run eighth as the Red Sox downed Baltimore 10-3.

Alexander and Tigers End Stieb's 9-Game Streak

The Associated Press
TORONTO — It figured that Doyle Alexander, a former Toronto Blue Jay, would have something to do with the end of Dave Stieb's nine-game winning streak.

Red Sox 10, Orioles 3: In Boston, Jim Rice pitched a tie with a two-run single during a seven-run eighth as the Red Sox downed Baltimore 10-3.

White Sox 10, Rangers 5: In Arlington, Texas, Dave Gallagher hit two home runs and Greg Walker and Ron Karkovics also homered as Chicago beat Texas.

Angels 7, Brewers 3: In Anaheim, California, Mike Witt allowed two runs on three hits in the first inning and then retired 15 of the next 16 batters.

SATURDAY BASEBALL

Dodgers 9, Reds 6: In Cincinnati, John Shelby singled home the tying run in the ninth inning and Steve Sax followed with a two-out, bases-loaded double off John Franco.

Red Sox 10, Orioles 3: In Boston, Jim Rice pitched a tie with a two-run single during a seven-run eighth as the Red Sox downed Baltimore 10-3.

White Sox 10, Rangers 5: In Arlington, Texas, Dave Gallagher hit two home runs and Greg Walker and Ron Karkovics also homered as Chicago beat Texas.

Angels 7, Brewers 3: In Anaheim, California, Mike Witt allowed two runs on three hits in the first inning and then retired 15 of the next 16 batters.

Giants 4, Astros 1: In Houston, Mike Krukow pitched a three-hitter and Jose Uribe doubled, tripled and drove in two runs as San Francisco defeated Houston.

Day of the Dutch in Euro 88 Soccer Trophy Comes to Amsterdam for First Time

MSTERDAM — The soccer aristocrats of the Netherlands finally won their first major soccer tournament, and up to a million people took to the streets of Amsterdam on Sunday to welcome the Dutch team home.

REBOARD

Table containing Major League Line Scores, Major League Standings, and Wimbledon tennis results. Includes columns for team names, scores, and match details.

TRANSITION

BASEBALL
COMMISSIONERS OFFICE—Suspended Floyd Youmans, Montreal pitcher, indefinitely for failing to comply with his drug testing requirements.

TENNIS

Wimbledon
THIRD ROUND
Miloslav Mecir (YU), Czechoslovakia, def. Ricardo Acuna, Chile, 6-3, 6-4, 6-2.

SOCCER

EUROPEAN CHAMPIONS
1988—Netherlands 2, Soviet Union 0
1988—France 2, Spain 1

Next Stop for Katrina Adams: Court 2 and Evert

By John Feinstein
Washington Post Service
LONDON — When Katrina Adams, 19, came to Wimbledon last week she had one simple goal: Win a match.



Katrina Adams smashes a return in her match with Sylvia Hanika.

Advertisement for Seiko Official Timer. Text includes: 'From the world's most accurate timekeeper', 'Congratulations to Fastest Goal Award Winner S. Aleinikov (USSR) 2 min. 06 sec.', 'Initiated at the 1978 World Cup in Argentina by Seiko, official timekeeper of the world's major sports events...'

